



MFA Housing New Mexico
 MFA January Board of Directors Meeting
 January 17, 2024
 9:30 am-12:30 pm Mountain Time

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of 12/12/23 Board Meeting Minutes – Board Action
- Executive Director Updates

Local Perspectives

- Paul Andrus, Community Development Director, Daniel Osborn and Dan Ungerleider, Los Alamos County
- Monica Abeita, Executive Director, North Central New Mexico Economic Development District

Board Action Items (Action Required?)

Consent Agenda

- 1 2024 Open Meeting Resolution (Eleanor Werenko) (YES)

Finance Committee

- 2 NMMFA FY23 Audit Report (Christopher Gregory, Audit Manager, Clifton Larson Allen, LLP & Arundhati Bose, CFO NMMFA) (YES)
- 3 MFA's Policies & Procedures Manual and Delegations of Authority – Proposed Revisions (Julie Halbig) (YES)
- 4 NMMFA Third Party Sender ACH Audit 2023 (Julie Halbig) (YES)
- 5 Lender Compensation for Native American Single Family Programs (Jeff Payne) (YES)
- 6 2024 Employee Manual Revisions (Dolores Wood) (YES)

Other

- 7 Quarterly Marketing Summary Report (Kristie Garcia) (NO)
- 8 2023 Series D Bond Issuance – Pricing Summary (Arundhati Bose) (NO)

Other Board Items Information Only

- 9 **(Staff is available for questions)**
 - Staff Action Requiring Notice to Board

Monthly Reports No Action Required

- 10 **(Staff is available for questions)**
 - 11/30/23 Financial Statements
 - New Mexico Housing Trust Fund Monthly Update

Announcements and Adjournment Discussion Only**Confirmation of Upcoming Board Meetings**

- February 13, 2024 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
- February 21, 2024 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- March 12, 2024 - Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
- March 20, 2024 – Wednesday – 9:30 a.m. (MFA Board of Directors Meeting)
- April 9, 2024 – Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- April 17, 2024 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting

La Fonda on the Plaza – New Mexico Room

100 E San Francisco St, Santa Fe, NM 87501

Wednesday, January 17, 2024 - 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of 12/13/23 Board Meeting Minutes – Board Action
- Executive Director Updates

Local Perspectives

- Paul Andrus, Community Development Director, Daniel Osborn and Dan Ungerleider, Los Alamos County
- Monica Abeita, Executive Director, North Central New Mexico Economic Development District

Board Action Items

Action Required?

Consent Agenda

- | | | |
|---|--|-----|
| 1 | 2024 Open Meeting Resolution (Eleanor Werenko) | YES |
|---|--|-----|

Finance Committee

- | | | |
|---|---|-----|
| 2 | NMMFA FY23 Audit Report (Christopher Gregory, Audit Manager, Clifton Larson Allen, LLP & Arundhati Bose, CFO NMMFA) | YES |
| 3 | MFA's Policies & Procedures Manual and Delegations of Authority – Proposed Revisions (Julie Halbig) | YES |
| 4 | NMMFA Third Party Sender ACH Audit 2023 (Julie Halbig) | YES |
| 5 | Lender Compensation for Native American Single Family Programs (Jeff Payne) | YES |
| 6 | 2024 Employee Manual Revisions (Dolores Wood) | YES |

Other

- | | | |
|---|--|----|
| 7 | Quarterly Marketing Summary Report (Kristie Garcia) | NO |
| 8 | 2023 Series D Bond Issuance – Pricing Summary (Arundhati Bose) | NO |

Other Board Items

Information Only

- | | | |
|---|--|--|
| 9 | (Staff is available for questions) <ul style="list-style-type: none"> ▪ Staff Action Requiring Notice to Board | |
|---|--|--|

Monthly Reports

Non Action Required

- | | | |
|----|---|--|
| 10 | (Staff is available for questions) <ul style="list-style-type: none"> ▪ 11/30/23 Financial Statements ▪ New Mexico Housing Trust Fund Monthly Update | |
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Announcements and Adjournment

Discussion Only

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Board Action Items

Action Required?

Consent Agenda

- 1 **2024 Open Meeting Resolution (Eleanor Werenko)** - The New Mexico Mortgage Finance Authority Open Meetings Resolution is submitted for MFA Board of Directors approval pursuant to Section 10-15-1 (B) and (D) of the New Mexico Open Meetings Act (Sections 10-15-1 to 10-15-4 NMSA 1978), and the MFA Bylaws, Section 7.4, which require that the MFA determine annually, in a public meeting, what constitutes reasonable notice of its public meetings. YES

Finance Committee

- 2 **NMMFA FY23 Audit Report (Christopher Gregory, Audit Manager, Clifton Larson Allen, LLP & Arundhati Bose, CFO NMMFA)** - Included are the Report of Independent Auditors and Financial Statements with Supplemental Schedules for the year ended 9/30/2023 and comparative information for 9/30/2022, Key Points of the Audit will be highlighted during the discussion session. YES
- 3 **MFA's Policies & Procedures Manual and Delegations of Authority – Proposed Revisions (Julie Halbig)** - Annually, the MFA Policies & Procedures Manual and Delegations of Authority are reviewed and updated as needed for changes relating to compliance, audit findings, clarifications and changes in general practices or policies. Outlined for the Board's consideration are substantive changes for the annual update. YES
- 4 **NMMFA Third Party Sender ACH Audit 2023 (Julie Halbig)** – Annually, MFA must conduct a Third Party Sender Automated Clearing House (ACH) audit to be in compliance with the National Automated Clearing House Association (NACHA) rules. The firm of Edwards Valen & Associates completed this annual audit and found MFA to be in compliance with the 2023 NACHA Rule books. MFA earned an overall Satisfactory rating. There was one Recommendation related to Record Retention. The Recommendation is to keep all electronic records for at least six years and all paper records that are on-site for two years. YES
- 5 **Lender Compensation for Native American Single Family Programs (Jeff Payne)** - Staff requests approval to increase participating lender compensation by 1.0% to a total of 3.5% for single family mortgage loans originated on tribal land. YES
- 6 **2024 Employee Manual Revisions (Dolores Wood)** - Annually, the MFA Employee Manual is reviewed and updated. The Employee Manual is revised as needed for changes as it relates to compliance, audit findings, clarifications, and changes in general practices. YES

Other

- 7 **Quarterly Marketing Summary Report (Kristie Garcia)** - The quarterly marketing and communications presentation consists of the strategic marketing overview of MFA's recent activities related to press releases, advertising, media coverage, social media posts and outreach efforts. NO
- 8 **2023 Series D Bond Issuance – Pricing Summary (Arundhati Bose)** - The Pricing Summary, the impact of using Volume Cap and the 2023D Bond Issue highlights from Pricing to Closing will be discussed for information purposes. NO

Other Board Items**Information Only**

- 9 **(Staff is available for questions)**
- Staff Action Requiring Notice to Board

Monthly Reports**Non Action Required**

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 - New Mexico Housing Trust Fund Monthly Update

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NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting Minutes
344 4th St. SW, Albuquerque, NM
Wednesday, December 13, 2023 at 9:30 a.m.

Chair Angel Reyes convened the meeting on December 13, 2023 at 9:35 a.m. Secretary Hernandez called the roll. Members attending in person: Chair Angel Reyes, Derek Valdo, Rebecca Wurzbarger, Martina C'de Baca (designee for Lieutenant Governor Howie Morales) (arrived at 10:24 a.m. during tab 4), and Patricia Sullivan. Virtual attendance: Gideon Elliot (designee for Attorney General Raúl Torrez), John Kreienkamp (designee for State Treasurer Laura M. Montoya) (joined at 10:11 a.m. during tab 1). Absent: none. Hernandez informed the Board that everyone had been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Chair Reyes welcomed Board members, guests, and staff. He informed everyone that the meeting is being recorded, making reference to microphone sensitivity. He then provided voting protocol for those members participating virtually.

Approval of Agenda – Board Action. Motion to approve December 13, 2023 Board agenda as presented: Wurzbarger. Seconded by Sullivan. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- yes, Rebecca Wurzbarger- yes, Patricia Sullivan- yes, C'de Baca-absent, Kreienkamp-absent. Vote: 5-0.

Approval of 11/15/23 Board Meeting Minutes – Board Action. Motion to approve November 15, 2023 Board Meeting Minutes as presented: Elliot. Seconded by Sullivan. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- yes, Rebecca Wurzbarger- yes, Patricia Sullivan- yes. Vote: 5-0.

Hernandez provided his Executive Director updates: **Program Updates:** Homeless served (unduplicated): Sept 23: 229 - 17,7725. Subsvcd port.: \$2,259 Bil/14,010. MFA (GOV) Int. 6.125%/ Mkt. 6.75% (12/5/23) – 4.50% (4/22). HAF: 4111 served w/\$39.6M – 9.0K Avg. \$4.9M Remaining. **Significant meetings/presentations:** 11/17: The Bluffs. 11/21: SBOF PABVC Request. 12/12: Mtg w/DFA- Rual and Frontier Equity Ombudsman. **Upcoming Meetings:** 12/13: LFC Presentation. 12/14: NMBA Legislative Meeting. 01/10: NM Housing Strategy Adv. Committee Meeting. Hernandez then provided information on the graph: Purchase Mortgage Applications Volume.

Presentation

Ventana Fund (Kendra Yevoli, Executive Director and Todd Clarke, Board Chair)– Clarke began his presentation by introducing the Ventana Fund staff present. He then discussed the 2023 Strategic Plan Results hangout he provided to the Board members at the beginning of his presentation. He emphasized on slide four of the handout; Growth: what directorion are we headed, slide thirty-four; Assets Over time chart and slide forty-two; Balance Sheet Summary- per Audited Financials- Effective use of Funds in Lending.

Finance Committee

Member Kreienkamp joined the meeting during the presentation of Tab 1 at 10:11 a.m.

1 Approval of Affordable Housing Act Rules Amendment (Julie Halbig) – Halbig began her presentation requesting approval of the Affordable Housing Act Rules amendment. She stated MFA sought to amend the AHA Rules for two reasons: 1) To revise the definition of “Persons of Very Low, Low or Moderate Income” to include households making up to 150% (up from 120%) of Area Median Income (AMI), along with allowing for this range to be further adjusted for “high-cost areas to accommodate qualification of the purchase of a median priced home in a county of the subject property or rent at the fair market rate.” MFA’s desire to revise the Rules’ AMI cap, combined with the extended process to make any amendment to the Rules, prompted us to review the AHA Rules in their entirety and 2) To identify opportunities for streamlining the AHA compliance process for participating local governments especially smaller communities. Motion to approve the Affordable Housing Act Rules Amendment as presented: Wurzbarger. Seconded by Sullivan. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- yes, Proxy John Kreienkamp- yes, Rebecca Wurzbarger- yes, Patricia Sullivan- yes, C'de Baca-absent. Vote: 6-0.

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2 IHFA Signature Resolution (Joseph McIntyre) – McIntyre began his presentation recommending approval of the Authorized Signature Resolution to update Idaho Housing Finance Authority (IHFA) subservicing staff to be able to make withdrawals from MFA accounts that are necessary in the routine sub servicing of the MFA loan portfolio. Also, to update resolution to list MFAs current CFO, Arundhati Bose. Motion to approve Idaho Housing Finance Authority (IHFA) Signature Resolution as recommended: Valdo. Seconded by Sullivan. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- yes, Proxy John Kreienkamp- yes, Rebecca Wurzbarger- yes, Patricia Sullivan- yes, C’de Baca-absent. Vote: 6-0

Contracted Services/Credit Committee

3 Housing Innovation NOFA Award Recommendations (Daniela Freamon & Sonja Unrau) – Unrau began her presentation recommending awarding \$500,000 to the New Mexico Ramp Project and \$500,000 to the Town of Silver City under the Housing Innovation Program Notice of Funding Availability, and as Trustee of the New Mexico Housing Trust Fund. The Housing Innovation Program Scoring Committee was approved by MFA’s Policy Committee on September 5, 2023. Per the Scoring Committee review on November 08, 2023, the New Mexico Ramp Project, and Town of Silver City applications both met all threshold requirements. The New Mexico Ramp Project is a 501(c)three nonprofit community-based organization that brings together volunteers to ‘Build independence for those in need’. Project volunteers build wheelchair ramps for the low-income with mobility issues. The New Mexico Ramp Project seeks to scale operations to provide at least 100 ramps in the homes of low and moderate income disabled New Mexicans. The Vista de Plata Affordable/Workforce Housing Subdivision provides affordable housing in Silver City to support community members making up to 120% of the Area Median Income to become homeowners. The application requests leverage funding for 50% of Phase 3 and would cover infrastructure costs including drainage, grading, and secondary conduit installation. Motion to approve the Housing Innovations Program NOFA Award Recommendations as presented: Sullivan. Seconded by Wurzbarger. Roll Call Vote: Angel Reyes- yes, Derek Valdo -yes, Gideon Elliot- yes, Proxy John Kreienkamp- yes, Rebecca Wurzbarger- yes, Patricia Sullivan- yes, C’de Baca- absent. Vote: 6-0.

Member C’de Baca joined the meeting during the presentation of Tab 4 at 10:24 a.m.

4 Restoring Our Community (ROC) Service Provider Award and Notice of Funding Availability (NOFA) Change Recommendations (Theresa Laredo-Garcia) – Laredo-Garcia began her presentation recommending approval of North Central New Mexico Economic Development District (NCNMEDD), Homewise Inc, and Sawmill Community Land Trust (Sawmill CLT) to become approved service providers under MFA’s ROC Program. Applicants must complete and submit the service provider application with all required documents listed in the NOFA. Each applicant must meet the minimum qualifications and requirements and service provider evaluation and scoring criteria. MFA received three complete service provider applications from North Central New Mexico Economic Development District (NCNMEDD), Homewise Inc. and Sawmill CLT. All three applicants met the minimum qualifications and requirements and met the minimum score of 70 points. She also recommends approval of changes to the ROC NOFA to allow up to five (5) open projects, (previously three (3)) for a qualified service provider at any one time. Motion to approve Restoring Our Community (ROC) Service Provider Award and Notice of Funding Availability (NOFA) Change Recommendations as presented: Wurzbarger. Seconded by Elliot. Roll Call Vote: Angel Reyes- yes, Derek Valdo -yes, Gideon Elliot- yes, Proxy Martina C’de Baca- yes, Proxy John Kreienkamp- yes, Rebecca Wurzbarger- yes, Patricia Sullivan- yes. Vote: 7-0.

5 Regional Housing Authority Commissioner Recommendations (Theresa Laredo-Garcia) – Laredo-Garcia began her presentation recommending approval of the Regional Housing Authority (RHA) commissioner renewals and appointment recommendations to move forward to the Governor’s office. The terms of three (3) of the commissioners for Eastern Regional Housing Authority (ERHA) have expired; all three commissioners continue to serve and wish to be re-appointed. In addition, one commissioner has recently resigned, and MFA has received a request for approval and appointment of a new commissioner to ERHA. The terms of three (3) of the commissioners for Northern Regional

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Housing Authority (NRHA) have or will expire; all three commissioners continue to serve and wish to be re-appointed. In addition, one commissioner has resigned, and MFA has received a request for approval and appointment of a new commissioner to NRHA. The terms of three (3) of the commissioners for Western Regional Housing Authority (WRHA) have or will expire; all three continue to serve and wish to be re-appointed. MFA has reviewed the recommendations for renewals and appointments and has prepared the following two letters for the Governor's office. Motion to approve Regional Housing Authority (RHA) Commissioner Renewals and Appointment Recommendations as presented: Wurzburger. Seconded by Sullivan. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- yes, Proxy Martina C'de Baca- yes, Proxy John Kreienkamp- yes, Rebecca Wurzburger- yes, Patricia Sullivan- yes. Vote: 7-0

Other

6 Legislative Oversight Committee Endorsed Bills for 2024 Legislative Session (Robyn Powell) - Powell began her presentation recommending approval from the Board of Directors to support the legislative initiatives endorsed by the MFA Legislative Oversight Committee (LOC) relating to the New Mexico Housing Trust Fund (NMHTF) and the Affordable Housing Act (AHA). MFA's LOC held its fifth Interim Committee Meeting on November 9, 2023, at which time the attached Legislative Agenda was discussed and endorsed by the LOC. The endorsed bills were provided in Tab 6 of board packet as Discussion Draft 226663.1 New Mexico Housing Trust Fund and Discussion Draft 226721.1SA AHA (Affordable Housing Act). The LOC has endorsed Discussion Draft 226663.1 NMHTF appropriating one time funding of \$500 million from the State General Fund to the NMHTF for expenditure in state fiscal year 2025 and subsequent fiscal years by MFA. Funding will not revert to the general fund. The LOC has endorsed draft bill 226721.1SA appropriating \$500,000 to MFA for expenditure in fiscal year 2025 and subsequent fiscal years by MFA to carry out the purposes of the Affordable Housing Act. Motion to approve support of the Legislative Oversight Committee Endorsed Bills for 2024 Legislative Session as presented: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- yes, Proxy Martina C'de Baca- yes, Proxy John Kreienkamp- yes, Rebecca Wurzburger- yes, Patricia Sullivan- yes. Vote 7-0

7 QAP Update (Jeanne Redondo and George Maestas) – Redondo began her presentation discussing the update of the 2024 Qualified Allocation Plan. MFA implemented Governor Lujan Grisham's direction to revise the 2024 Qualified Allocation Plan before posting the final approved version on its website. Governor Lujan Grisham approved the draft 2024 Qualified Allocation Plan after the implementation of a change she requested to greater serve rural New Mexicans. In a letter dated November 21, 2023, the Governor requested changes be made to the Qualified Action Plan (QAP) in order to increase points for rural projects. In response to the Governor's direction, MFA immediately updated the QAP as follows: A new scoring category entitled Underserved Communities was created to highlight the following criteria available under Other Scoring Points Available for: projects that construct 35 Units or less projects located in communities with populations under 16,000 people communities where the Low Income Housing Tax Credit program has not been used to develop housing in the past five calendar years. Each of the above factors is worth three points, with a total of nine points available. After moving the criteria described above to the new twenty-one. Underserved Communities scoring category, Other Scoring Points Available was re-numbered as scoring criterion No. 22. Applicants remain eligible for up to nine points if they qualify for the remaining criteria in the Other Scoring Points Available scoring category. These revisions will make it clear that projects serving New Mexico's most rural and underserved communities are able to earn up to an additional nine points under the 2024 QAP. Non-Action Item.

Closed Session

Chair Reyes stated that next on our agenda is a discussion of the Executive Director Performance and Compensation Review, for which the Board will move to a closed session. Chair Reyes entertained a motion to close the meeting pursuant to Section 10-15-1 H (2) of the Open Meetings Act for the purpose of discussing limited personal matters-related to the performance and compensation of the Executive Director. Motion to Close meeting as presented: Sullivan. Seconded by Valdo. He then asked if there is any discussion regarding the motion to close the meeting for this sole purpose. Member Kreienkamp informed the Board that he will not be participating in the closed session due to scheduling conflicts and left the meeting at 10:56 a.m. Hearing none, roll call vote was called: Angel Reyes- yes, Derek Valdo- yes,

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Gideon Elliot- yes, Proxy Martina C'de Baca- yes, Proxy John Kreienkamp- absent, Rebecca Wurzbarger- yes, Patricia Sullivan- yes. Vote 6-0.

Chair Reyes stated because this is a hybrid meeting with some Board Members attending in person and others remotely, He would like everyone except the Board members present, Board counsel, and the Executive Director to leave the room. He would also like staff to terminate the webcast at this time for all participants excluding Board Members who are participating virtually. Closed session at 10:57 a.m.

8 Executive Session- Limited Personnel Matters

- Executive Session to be held pursuant to Section 10-15-1 H (2) of the Open Meetings Act: Discuss Executive Director Performance and Compensation Review (Chair Reyes)

Member Elliot left the meeting at 11:44 a.m. during the closed session.

Open Session

At 12:10 p.m. Chair Reyes then confirmed that the Board is now convened in open session, that the webcast is running again, and made the statement: The Board met in closed session and discussed only those limited personnel matters that were identified in the agenda. No other issues were discussed, and no actions were taken.

9 Executive Director Performance and Compensation Review (Chair Reyes)

Chair Reyes entertained a motion to make this statement a part of the minutes of this meeting. He stated during the closed session the Board's review of the Executive Director's Performance, Board members' feedback included in evaluation. He informed the Board that he provided an evaluation on Monday with Hernandez via webcast. He further expressed recommending to the Board a change in compensation. He then entertained a motion to accept the Executive Director's Performance Evaluation and to increase the Executive Director's annual salary to \$186,535.50 and to include an automobile allowance of \$750.00, with an effective date of first pay period of January 2024. Valdo. Seconded by Wurzbarger. Angel Reyes- yes, Derek Valdo- yes, Gideon Elliot- absent, Proxy Martina C'de Baca- yes, Proxy John Kreienkamp- absent, Rebecca Wurzbarger- yes, Patricia Sullivan- yes. Vote 5-0.

Other Board Items- Information Only

10 There were no questions asked of staff.

- Staff Action Requiring Notice to Board
- Quarterly Multifamily Project Completion Report

Monthly Reports- Non-Action Required

11 There were no questions asked of staff.

- 10/31/23 Financial Statements
- New Mexico Housing Trust Fund Monthly Update
- Marketing & Communications Monthly Update

Announcements and Adjournment- Confirmation of upcoming Board Meetings.

There being no further business the meeting was adjourned at 12:16 p.m.

Approved:

Chair, Angel Reyes

Secretary, Isidoro Hernandez

Housing Needs and Strategies – Los Alamos, NM

Mortgage Finance Authority – Housing New Mexico
Board Meeting, January 17, 2024

Paul Andrus
Community Development Director

Dan Osborn
Housing Program Coordinator

Dan Ungerleider
Economic Development Administrator

Los Alamos, NM – Eco Devo and Housing snapshot

- Located in Northern New Mexico on the Pajarito Plateau, ~45 minutes northwest of Santa Fe, NM.
- Two distinct communities, Los Alamos Townsite and White Rock. Home to 19,187 people with a daytime population of 25,000+
- Median age in 41.5 years old.
- Annual average income of \$123,677.00 with a 1.5% unemployment rate. High average salaries are driven by the major employer, Los Alamos national Laboratory (LANL)
- LANL currently employs >17,000 and anticipates growing to >20,000 employees by 2025 with a total budget of \$5 billion/year.
- Los Alamos has been widely regarded as a “Best Small Town” by various national publications due to its high affluence, leading public schools, healthy climate, cultural resources, and highly skilled and educated workforce.
- Los Alamos County’s average wage is the highest in the State.
- And yet...

Los Alamos, NM – Eco Devo and Housing snapshot

- Wages in lower paid industries are similar and sometimes lower than state averages (\$50k/year: arts & recreation, ed. services, manufacturing, public administration, general services)
- ~20% of households have lower incomes (<\$50k).
- Total workforce in-commuting to Los Alamos >8,000 with ~2,300 out-commuting (we have a rush-hour traffic problem, too)
- 14% of owner-occupied households are cost burdened (1036 units)
- 25% of renter-occupied households are cost burdened (502 units)
- Number single-person (2,292) and 65+ (842) households continue to increase
- 45% of owner-occupied units and 42% of renter-occupied built prior to 1970.
- Construction has picked up in recent years but has not met market demands.

Los Alamos, NM -- Challenges

- Limited Land Supply
- Limited Housing Choice/Limited New Housing/Aging Housing Stock
- Housing Affordability and lack of Housing Authority or core development partner necessary to implement a permanent affordability regime.
- Coordinating Housing with utility, transportation, and Schools.
- Lack of Supportive Services for at-risk and unhoused, including seniors.
- Long distance from core cities with robust construction workforce and materials supply chains
- Funding, funding, funding: availability for infrastructure, subsidies for affordability and gap financing.

Challenges and Opportunities

Challenge	Action	Project
Limited Land Supply	<ul style="list-style-type: none"> Align Master Plan & Code for a wider mix and higher density of product types including ownership & rental – Multi-family, town and rowhouses, duplex, ADU's, etc. 	<ul style="list-style-type: none"> Updated Master Plan/Downtown Master Plans Chapter 16 Development Code Updated to support higher densities (Multi-family, duplexes, ADU's, etc.) Continue to engage LANL on land transfers
Limited Housing Choice	<ul style="list-style-type: none"> Strategic increase in residential density in Los Alamos and White Rock through infill and redevelopment Add residential uses in mixed-use and multi-family projects to increase supply and product type 	<ul style="list-style-type: none"> Arkansas Place: 44 Multi-family units The Hill Apartments: 144 multi-family apartment units. Canada Bonita: 150 rental apartments Arbolada: 84 SFD (considering upzoning density) Mirador mixed-use: ~57 multi-family + retail/commercial Mari-Mac: 320 residential units + ~18k sq ft retail/commercial 20th St: up to 400 multi-family/lodging units + 25k sq ft retail/commercial 2 new LIHTC Projects – Canyon Walk and The Bluffs 55+
Limited New Housing		
Aging in Place		
Housing Affordability	<ul style="list-style-type: none"> Increase and expand participation in the County/Los Alamos Housing Partnership Homebuyer Assistance and Home Renewal Programs Engage 	<ul style="list-style-type: none"> Update Affordable Housing Plan to include low-income and “Missing Middle” households 2 new LIHTC Projects – Canyon Walk and The Bluffs 55+ Engaging conversations to enact permanent affordability (deed restrictions)
Aging Housing Stock		

Challenges and Opportunities

Challenge	Action	Project
Expanding supportive Social Services for unhoused and at-risk, including seniors	<ul style="list-style-type: none"> Coordinating with LAC Social Services to develop recommendations and plan for supportive/transitional housing, a Social Services Hub, and programs to support unhoused, at-risk, and seniors. 	<ul style="list-style-type: none"> Affordable Housing Plan to include discussion and recommendations to support unhoused, at-risk and seniors including transitional housing in conjunction with Social Services. Social Services is their Comprehensive Health Plan to guide health, wellness, and social services planning in the County, to include recommendations for Social Services Hub and transitional housing.
Regional/Partnership Solutions	<ul style="list-style-type: none"> LAC endorsed REDI Plan to increase regional cooperation Engaging with Schools, LANL, and regional partners for development opportunities in and around Los Alamos 	<ul style="list-style-type: none"> Lead regional capacity building and partnerships to support/construct attainable workforce housing in neighboring communities. MOA with School District for potential development of up 300 residential units on North Mesa
Coordinating housing w/ needed financing tools to provide affordability, infrastructure, transportation, Social Services, Schools, and recreation improvements	<ul style="list-style-type: none"> Identify funding sources and partners for this and all the above! 	<ul style="list-style-type: none"> Ongoing

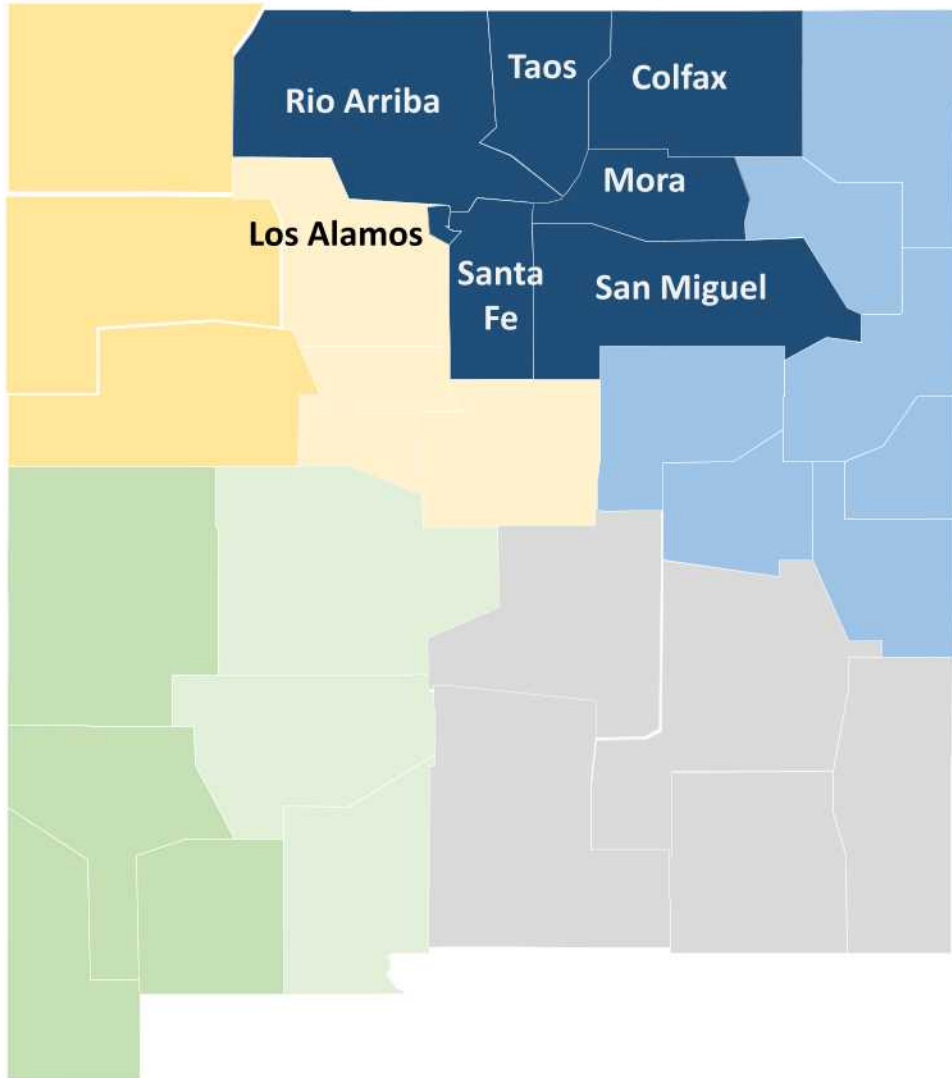
Questions and Discussion



MFA Board of Directors Meeting

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NCNMEDD Service Area



Non-Metro AAA Service Area



Greatest Housing Needs

- Housing Rehabilitation
- Workforce Housing
- Senior Housing
- Special Needs Housing



In rural areas:

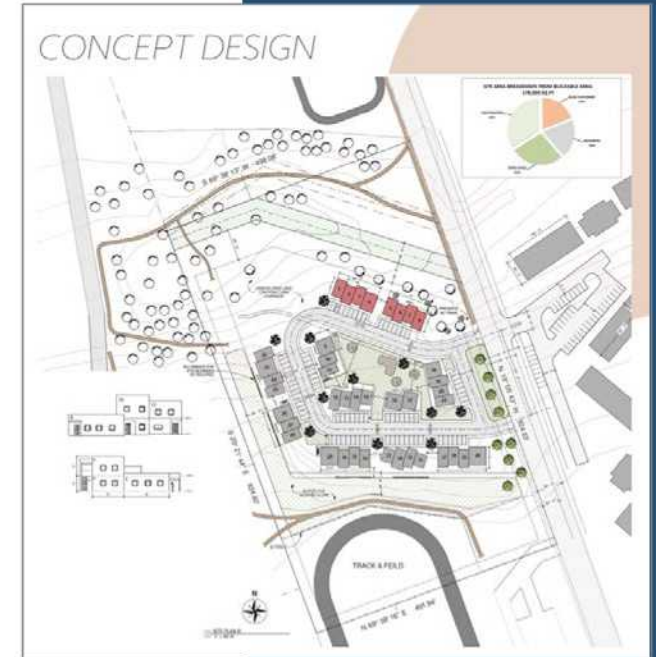
- ✓ Housing stock is older
- ✓ Rates of vacant and abandoned homes are higher
- ✓ The population is aging
- ✓ There is little to no population growth
- ✓ There is limited new development and investment

Yet rural communities must still provide quality housing for residents and attract and retain professional employees.

Current Projects with MFA

Housing Technical Assistance Program--\$80,000

- Designed to move communities from the planning to development stage
- NCNMEDD contractors develop site plans and proformas for potential housing projects on publicly owned land
- Projects completed or in progress include:
 - ✓ Cimarron Public Schools
 - ✓ Santa Fe County Public Schools
 - ✓ Colfax County (Cimarron, Raton, Springer)
 - ✓ City of Española & North Central Regional Transit District
 - ✓ Taos County (current project)



***Santa Fe Public
Schools Site Plan
and Workforce
Housing Site***

*This program has been very successful.
Projects are now seeking funding for project design and construction.*

Current Projects with MFA

Recovery Housing--\$2.7 million CSLFRF grant

Funding for recovery centers in northern NM to create new housing units for clients existing recovery and entering NCNMEDD's Workforce Integrated Network (WIN) job placement program.



Potential recovery housing project in the offer stage with Krossroads, outside of Las Vegas

We have identified numerous properties (Santa Fe, Española, Taos, Las Vegas). Commitments/agreements from property owners and operators are taking time.

Current Projects with MFA

Senior Home Repair--\$1 million CSLFRF grant

- Non-Metro AAA will work with its aging services providers to provide critical health and safety repairs to older adult homeowners
- Program modeled after CAPABLE, using health professionals to perform home assessments

We are currently improving our first home in Española.

We continue to have challenges finding contractors and health professionals but are making progress.

We were invited to compete in Phase II of HUD's Older Adults Modification Program (submitted 1/11/24).



Senior Home Repair and Modification Program

We understand the importance of maintaining a safe and comfortable living environment that allows older adults to age in place.

Current Projects with MFA

Restoring our Communities (ROC)

- MFA just approved NCNMEDD as a service provider
- Pilot project with Colfax County, which has committed \$100,000 for initial staffing
- Will build on the technical assistance (acquisition/rehab study) provided to Colfax County
- Will focus home sales on critical workforce (local government employees, health care workers, school employees, public safety workers, etc.)
- We will start by identifying properties in Raton, Springer and Cimarron

*NCNMEDD revised its organizing documents to permit ownership of real assets
This is our first foray into development--we are very excited to make a difference in our communities!*

Thank you!



Monica Abeita
Executive Director
monicaa@ncnmedd.com



MEMO

TO: MFA Board of Directors
Through: Finance Committee – January 9, 2024
Through: Policy Committee – January 8, 2024
FROM: Eleanor Werenko
DATE: January 17, 2024
SUBJECT: MFA 2024 Open Meetings Resolution

Recommendation:

Counsel recommends MFA’s Board of Directors approve the 2024 Open Meetings Resolution.

Background:

MFA Bylaws Section 7.4 and the New Mexico Open Meetings Act (“OMA”), NMSA 1978, Section 10-15-1(D), requires public bodies, at least annually, to determine what constitutes “reasonable notice” as applied to that body. This resolution states MFA’s policy to make all meetings in which there is a quorum of Members of the Board of Directors open to the public, except as otherwise provided in the State Constitution or the Open Meetings Act, and sets forth the notice requirements for MFA regular, special, and emergency meetings.

Discussion:

The MFA Open Meetings Resolution of 2024 is being presented for approval by the MFA Board of Directors. The proposed amendments to this year’s resolution include (1) updating the dates throughout the resolution to 2024, (2) updating the location of the January 2024 Board of Directors meeting, (3) adding a signature block, and (4) other minor updates/stylistic changes. All suggested changes are marked in the attached draft redline draft. A clean draft with proposed changes accepted is also provided.

Summary:

The New Mexico Mortgage Finance Authority Open Meetings Resolution is submitted for MFA Board of Directors approval pursuant to Section 10-15-1 (B) and (D) of the New Mexico Open Meetings Act (Sections 10-15-1 to 10-15-4 NMSA 1978), and the MFA Bylaws, Section 7.4, which require that the MFA determine annually, in a public meeting, what constitutes reasonable notice of its public meetings.

NEW MEXICO MORTGAGE FINANCE AUTHORITY ~~(MFA)~~

2023

2024 OPEN MEETINGS AND NOTICE RESOLUTION

January 17, 2024

WHEREAS, the New Mexico Mortgage Finance Authority (“MFA”) met in a regular meeting at ~~211 Old Santa Fe Trail~~ 100 E. San Francisco Street, Santa Fe, New Mexico, 87501 on Wednesday, January ~~18, 2022~~ 17, 2024, at 9:30 a.m. ~~to 11:00 a.m.~~ and 1:00 p.m. to 3:00 p.m.

WHEREAS, ~~the~~ MFA’s Open Meetings policy is intended to follow the Open Meetings Act (Sections 10-15-1 to 10-15-4 NMSA 1978) which requires at Section 10-15-1(B) that, all meetings of a quorum of members of any board, commission, administrative adjudicatory body or other policymaking body of any state agency or any agency or authority of any county, municipality, district or political subdivision, held for the purpose of formulating public policy, including the development of personnel policy, rules, regulations or ordinances, discussing public business or taking any action within the authority of or the delegated authority of any board, commission or other policymaking body are declared to be public meetings open to the public at all times, except as otherwise provided in the constitution of New Mexico or the Open Meetings Act; and further requires at Section 10-15-1(D) such policymaking body to determine annually what constitutes reasonable notice of its public meetings.

NOW, THEREFORE, BE IT RESOLVED:

1. Regular meetings shall be held at the discretion of the MFA Board of Directors. Notice of regular meetings will be given ten (10) days in advance of the meeting date ~~to the public.~~

2. Special meetings may be called by the Chair or three (3) of the members of the MFA Board of Directors (“Members”) upon seventy-two (72) ~~hours~~ hours’ notice.

3. Emergency meetings will be called only under circumstances permitted by, and in accordance with the provisions of, Section 10-15-1 (F) of the Open Meetings Act, and only under unforeseen circumstances that demand immediate action to protect the health, safety and property of citizens or to protect ~~MFA~~ from substantial financial loss. MFA will avoid emergency meetings whenever possible. Emergency meetings may be called by the Chair or a majority of MFA’s Board of Directors upon twenty-four (24) ~~hours~~ hours’ notice, unless threat of injury or damage to persons or property or substantial financial loss to MFA requires less notice. Within ten (10) days of taking action on an emergency matter, MFA will notify the Attorney General’s Office.

4. For the purposes of meetings described in paragraphs 1, 2 and 3 of this resolution, notice requirements shall be met by posting notice of the date, time, and location of the meeting in the lobby of the MFA offices located at 344 4th St. SW, Albuquerque, New Mexico, and on MFA’s website, and by e-mailing copies of the written notice to those broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made a written request for notice of MFA meetings.

a) The notice will include a copy of the agenda or information on how a copy of the agenda may be obtained. For the purposes of the regular and special meetings described in paragraphs 1 and 2 of this resolution, the agenda will be posted on the MFA website and available to the public at least seventy-two (72) hours prior to the regular meeting. For the purposes of emergency meetings described in paragraph 3 of this resolution, the agenda will be posted on the MFA website and available to the public at least twenty-four (24) hours prior to the emergency meeting.

b) In addition to the information specified above, all notices of open meetings shall include the following language:

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact MFA at 843-6880 at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact MFA at 843-6880 if a summary or other type of accessible format is needed.

5. MFA may close a meeting to the public only if the subject matter of such discussion or action is exempted from the open meeting ~~requirement~~requirements under Section 10-15-1(H) of the Open Meetings Act.

a) If any meeting is closed during an open meeting, such closure shall be approved by a majority vote of a quorum of the MFA Board of Directors taken during the open meeting. The authority for the closure and the subjects to be discussed shall be stated with reasonable specificity in the motion for closure and the vote on closure of each individual Member shall be recorded in the minutes. Only those subjects specified in the motion may be discussed in a closed meeting.

b) If the decision to hold a closed meeting is made when MFA is not in an open meeting, the closed meeting shall not be held until public notice, consistent with paragraph 2 of this resolution, and stating the specific provision of law authorizing the closed meeting and the subjects to be discussed with reasonable specificity, is given to the Members and to the general public.

c) Following completion of any closed meeting, the minutes shall state whether the matters discussed in the closed meeting were limited only to those specified in the motion or notice for closure.

d) Except as provided in Section 10-15-1(H) of the Open Meetings Act, any action taken as a result of discussions in a closed meeting shall be made by vote of the MFA Board of Directors in an open public meeting.

6. Members are strongly encouraged to attend all meetings in person. However, when it is otherwise difficult or impossible for the Member to attend the meeting in person, or when it is not possible for MFA to hold ~~in~~ an in person meeting due to a public health order, or other similar emergency declaration, a Member/the Members may participate in a meeting by means of a conference telephone, video conference, or other similar communications equipment, provided that each Member participating by conference telephone, video conference, or other similar technology can be identified when speaking, all participants are able to hear each other at the same time, members of the public attending the meeting are able to hear any Member who speaks during the meeting, and where the meeting is being held via video conference or other similar technology, a roll call is taken for each vote.

~~After discussion, the foregoing Resolution was adopted.~~

~~Date Adopted: January 18th, 2023~~

ADOPTED: January 17, 2024. Motion made by _____ . Second: _____ . Vote - .

Aye:

Nay:

Abstain:

Absent:

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE
AUTHORITY THIS 17TH DAY OF JANUARY 2024.

Angel Reyes, Chair

CERTIFICATION

I HEREBY CERTIFY, that I am the Secretary of the New Mexico Mortgage Finance
Authority; that the above and foregoing is a full, true and correct copy of a resolution duly and
regularly adopted by the vote of the majority or more of the directors of the New Mexico Mortgage
Finance Authority in accordance with the MFA bylaws in effect on January 18, 2023; that there is
no provision in the articles of the MFA bylaws conflicting with said resolution; and that said
resolution has not been modified or revoked and still remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the New Mexico
Mortgage Finance Authority this day of , 2024.

Isidoro Hernandez, Secretary

(SEAL)

NEW MEXICO MORTGAGE FINANCE AUTHORITY

2024 OPEN MEETINGS AND NOTICE RESOLUTION

January 17, 2024

WHEREAS, the New Mexico Mortgage Finance Authority (“MFA”) met in a regular meeting at 100 E. San Francisco Street, Santa Fe, New Mexico, 87501 on Wednesday, January 17, 2024, at 9:30 a.m., and;

WHEREAS, MFA’s Open Meetings policy is intended to follow the Open Meetings Act (Sections 10-15-1 to 10-15-4 NMSA 1978) which requires at Section 10-15-1(B) that, all meetings of a quorum of members of any board, commission, administrative adjudicatory body or other policymaking body of any state agency or any agency or authority of any county, municipality, district or political subdivision, held for the purpose of formulating public policy, including the development of personnel policy, rules, regulations or ordinances, discussing public business or taking any action within the authority of or the delegated authority of any board, commission or other policymaking body are declared to be public meetings open to the public at all times, except as otherwise provided in the constitution of New Mexico or the Open Meetings Act; and further requires at Section 10-15-1(D) such policymaking body to determine annually what constitutes reasonable notice of its public meetings.

NOW, THEREFORE, BE IT RESOLVED:

1. Regular meetings shall be held at the discretion of the MFA Board of Directors. Notice of regular meetings will be given ten (10) days in advance of the meeting date.

2. Special meetings may be called by the Chair or three (3) of the members of the MFA Board of Directors (“Members”) upon seventy-two (72) hours’ notice.

3. Emergency meetings will be called only under circumstances permitted by, and in accordance with the provisions of, Section 10-15-1 (F) of the Open Meetings Act, and only under unforeseen circumstances that demand immediate action to protect the health, safety and property of citizens or to protect MFA from substantial financial loss. MFA will avoid emergency meetings whenever possible. Emergency meetings may be called by the Chair or a majority of MFA’s Board of Directors upon twenty-four (24) hours’ notice, unless threat of injury or damage to persons or property or substantial financial loss to MFA requires less notice. Within ten (10) days of taking action on an emergency matter, MFA will notify the Attorney General’s Office.

4. For the purposes of meetings described in paragraphs 1, 2 and 3 of this resolution, notice requirements shall be met by posting notice of the date, time, and location of the meeting in the lobby of the MFA offices located at 344 4th St. SW, Albuquerque, New Mexico, and on MFA’s website, and by e-mailing copies of the written notice to those broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made a written request for notice of MFA meetings.

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meetings described in paragraph 3 of this resolution, the agenda will be posted on the MFA website and available to the public at least twenty-four (24) hours prior to the emergency meeting.

b) In addition to the information specified above, all notices of open meetings shall include the following language:

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact MFA at 843-6880 at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact MFA at 843-6880 if a summary or other type of accessible format is needed.

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a) If any meeting is closed during an open meeting, such closure shall be approved by a majority vote of a quorum of the MFA Board of Directors taken during the open meeting. The authority for the closure and the subjects to be discussed shall be stated with reasonable specificity in the motion for closure and the vote on closure of each individual Member shall be recorded in the minutes. Only those subjects specified in the motion may be discussed in a closed meeting.

b) If the decision to hold a closed meeting is made when MFA is not in an open meeting, the closed meeting shall not be held until public notice, consistent with paragraph 2 of this resolution, and stating the specific provision of law authorizing the closed meeting and the subjects to be discussed with reasonable specificity, is given to the Members and to the general public.

c) Following completion of any closed meeting, the minutes shall state whether the matters discussed in the closed meeting were limited only to those specified in the motion or notice for closure.

d) Except as provided in Section 10-15-1(H) of the Open Meetings Act, any action taken as a result of discussions in a closed meeting shall be made by vote of the MFA Board of Directors in an open public meeting.

6. Members are strongly encouraged to attend all meetings in person. However, when it is otherwise difficult or impossible for the Member to attend the meeting in person, or when it is not possible for MFA to hold an in person meeting due to a public health order, or other similar emergency declaration, a Member/the Members may participate in a meeting by means of a conference telephone, video conference, or other similar communications equipment, provided that each Member participating by conference telephone, video conference, or other similar technology can be identified when speaking, all participants are able to hear each other at the same time, members of the public attending the meeting are able to hear any Member who speaks during the meeting, and where the meeting is being held via video conference or other similar technology, a roll call is taken for each vote.

ADOPTED: January 17, 2024. Motion made by _____. Second: _____. Vote ____ - ____.

Aye:

Nay:

Abstain:

Absent:

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE
AUTHORITY THIS 17TH DAY OF JANUARY 2024.

Angel Reyes, Chair

CERTIFICATION

I HEREBY CERTIFY, that I am the Secretary of the New Mexico Mortgage Finance Authority; that the above and foregoing is a full, true and correct copy of a resolution duly and regularly adopted by the vote of the majority or more of the directors of the New Mexico Mortgage Finance Authority in accordance with the MFA bylaws in effect on January 18, 2023; that there is no provision in the articles of the MFA bylaws conflicting with said resolution; and that said resolution has not been modified or revoked and still remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the New Mexico Mortgage Finance Authority this day of , 2024.

Isidoro Hernandez, Secretary

(SEAL)



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Tuesday, January 9, 2024 at 1:30 p.m.

Webex - call-in information is 1-408-418-9388 (access code): 2483 035 4429
or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
<u>Recommended for Consent Agenda</u>		YES
1 2024 Open Meetings Resolution - Eleanor Werenko	3-0	
<u>Agenda</u>		YES
2 MFA's Policies & Procedures Manual and Delegations of Authority – Proposed Revisions – Julie Halbig	3-0 w/Changes	
3 NMMFA Third Party Sender ACH Audit 2023 – Julie Halbig	3-0	YES
4 Lender Compensation for Native American Single Family Programs – Jeff Payne	3-0	YES
5 2024 Employee Manual Revisions- Dolores Wood	3-0 w/Changes	YES
<u>Information items</u>		
6 November 2023 Wire Transfers		NO
7 November 2023 Check Register		NO

Committee Members present:

Derek Valdo, Chair

☐ present

☐ absent

☒ conference call

State Treasurer Laura M. Montoya/

☐ present

☐ absent

☒ conference call

JR Rael

Lt. Governor Howie Morales or

☐ present

☐ absent

☒ conference call

Proxy Martina C'de Baca

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

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

YEARS ENDED SEPTEMBER 30, 2023 AND 2022



**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
BOARD OF DIRECTORS
SEPTEMBER 30, 2023**

Name	Title
Angel Reyes	Chair
Derek Valdo	Vice Chair
Rebecca Wurzburger	Treasurer
Laura M. Montoya, New Mexico State Treasurer	Member
Howie Morales, New Mexico Lieutenant Governor	Member
Raul Torrez, New Mexico Attorney General	Member
Dr. Patricia A. Sullivan	Member



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the state of New Mexico, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the Authority, as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position and changes in financial position of the Authority. They do not purport to, and do not, present fairly the financial position of the state of New Mexico as of September 30, 2023 and 2022, the changes in the financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Authority Members
 New Mexico Mortgage Finance Authority
 and Joseph M. Maestas, P.E.
 New Mexico State Auditor

Related to New GASB Pronouncements

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance for GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The guidance requires the Authority to recognize a right-to-use subscription asset and corresponding subscription liability for all SBITAs with terms greater than twelve months. The adoption of the new accounting standard resulted in recording of right-to-use subscription assets and accumulated amortization related to the recognition of right-to-use subscription assets and the related balance of subscription liabilities. The impact on the Authority was immaterial, therefore there was no restatement to beginning net position. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance for GASB Statement No. 91, *Conduit Debt Obligations*. The guidance requires the Authority to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The Authority restated beginning net position related to the rental housing mortgage programs. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Authority Members
 New Mexico Mortgage Finance Authority
 and Joseph M. Maestas, P.E.
 New Mexico State Auditor

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on pages 6-16, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules, as referenced in the Table of Contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as referenced in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary schedules and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
New Mexico State Auditor

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Directors listing and Exit Conference but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 28, 2023

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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

In 1975, the New Mexico State legislature created the New Mexico Mortgage Finance Authority (the Authority), as a governmental instrumentality of the state of New Mexico. The Authority is a component unit of the state of New Mexico. Component units are entities that are legally separate organizations from the state for which elected officials of the primary government are financially accountable. The purpose of the Authority is to raise funds from public and private investors to finance the acquisition, construction, rehabilitation, and improvement of residential housing for New Mexicans of low to moderate income. The Authority secures resources through the sale of bonds and mortgage assets, as well as through federal and state affordable housing programs. The Authority's net position is also a source of funding for housing related programs. The Authority is led by seven board members. Four of the board members are from the private sector and are appointed by the governor with the advice and consent of the state senate. Three are ex-officio voting members who serve by virtue of their state office, including the lieutenant governor, the state's attorney general and the state treasurer.

This management discussion and analysis provides an overview of the Authority's financial position and changes in financial position for the fiscal years ended September 30, 2023, 2022, and 2021. This information is being presented to provide additional information regarding the activities and operations of the Authority and to meet the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The Authority is a self-supporting entity and follows business type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the Authority's financial activities. This analysis should be read in conjunction with the independent auditors' report, audited financial statements, and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statements of net position include all the Authority's assets and liabilities, presented in order of liquidity, along with deferred outflows and deferred inflows, which represent deferrals of resources related to future periods. The resulting net position presented in these statements is displayed as invested in capital assets, restricted or unrestricted. Net position is restricted when its use is subject to external limits such as bond indentures, legal agreements, or statutes.

All the Authority's current year revenues and expenses are recorded in the statements of revenues, expenses, and changes in net position. This statement measures the activities of the Authority's operations over the past year and presents the resulting change in net position.

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

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

FINANCIAL HIGHLIGHTS

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

	2023	2022, As Restated	2021, As Restated
Cash and Cash Equivalents (Unrestricted and Restricted)	\$ 178,602	\$ 193,832	\$ 155,388
Investments (Unrestricted and Restricted)	65,386	59,743	69,494
Mortgage-Backed Securities and Mortgage Loans Receivable	1,493,795	1,270,913	1,250,243
Total Assets	1,787,713	1,556,675	1,507,192
Bonds Payable	1,547,359	1,325,981	1,116,456
Total Liabilities	1,666,348	1,398,860	1,174,287
Total Net Position	121,274	157,725	333,107
Total Operating Revenues	86,301	59,915	76,593
Total Operating Expenses	71,616	62,165	56,947
Operating Income (Loss)	14,685	(2,250)	19,646
Total Nonoperating Expenses	(51,136)	(173,132)	(5,847)
Change in Net Position	(36,451)	(175,382)	13,799

The most impactful trend experienced by the Authority in this fiscal year's financial performance was the volatility in the interest rate environment. Due to the economics of the mortgage program, in 2023, the Authority favored issuing tax-exempt Mortgage Revenue Bonds (MRBs) as the primary loan financing tool. Rather than selling the Mortgage-Backed Securities (MBS) originated through the Authority's mortgage program into the secondary market, the MBS was purchased with bond proceeds and recorded as assets on the Statements of Net Position. The Authority successfully issued four tax-exempt MRBs to fund the first-time homebuyer program. The Authority relied heavily on bond financing in the current year by funding 94% of the loans with tax-exempt bonds and selling only 6% of loans to the secondary market.

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Bond financing primarily produces long-term annuity cash flows over the loan life, leading to growth in balance sheet assets. In contrast, loan sales in the secondary market provide one-time administrative fee income. In addition, through the bond execution, the Authority incurs the bond cost of issuance expense. Additionally, the Authority purchases the servicing rights associated with its loan originations. This asset earns a long-term annuity over the life of the MBS. As this servicing asset portfolio grows, the income stream will also continue to grow over time. The Authority experienced slower single-family loan financing compared to last year but remained solid overall with balance sheet growth despite headwinds from rising home prices, climbing mortgage rates, and high inflation.

Financial highlights are summarized as follows:

- Total assets were \$1.79 billion, an increase of 14.8% from September 30, 2022. The increase primarily reflects growth in the Single-Family Mortgage Program investments for which new production exceeded loan pay downs and prepayments with the locked-in low mortgage rates. Borrowers had no incentives to refinance under the current macro environment of rising mortgage rates.
- The fiscal year 2023 MBS purchases and originations totaled \$330.8 million compared to \$334.7 million in the fiscal year 2022 due to the increased utilization of MRBs instead of selling the loans in the secondary market to fund the Single-Family Mortgage Program.
- Revenue bonds issued for the Single-Family Mortgage program totaled \$314.9 million in 2023 and \$423.4 million in the fiscal year 2022. As previously noted, due to rapidly changing market conditions, MRBs were favored to fund the Single-Family Mortgage Program in 2023 over selling loans in the secondary market.
- Total liabilities were \$1.7 billion, an increase of 19.1% from September 30, 2022, due to increased revenue bond activity.
- In the fiscal year 2023, the net position decreased by \$36.5 million. However, when excluding the net change in the fair value of investments of \$53.4 million, net position increased by \$17.0 million. The valuation of interest rate-sensitive assets tends to decrease in an increasing interest rate environment. As the interest rate increased, the market value of the MBS portfolio decreased.

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FINANCIAL POSITION

The net position of the Authority decreased \$36.5 million from September 30, 2022 to September 30, 2023 and decreased \$175.4 million from September 30, 2021 to September 30, 2022. The following table is a condensed summary of net position at September 30, 2023, 2022, and 2021 (in thousands):

	2023	2022, As Restated	2021, As Restated
Assets			
Current Assets	\$ 106,516	\$ 108,564	\$ 91,564
Noncurrent Assets	1,681,197	1,448,111	1,415,628
Total Assets	<u>1,787,713</u>	<u>1,556,675</u>	<u>1,507,192</u>
Deferred Outflows of Resources			
Unamortized Loss on Refunding	153	187	202
Liabilities			
Current Liabilities	138,590	115,658	104,073
Noncurrent Liabilities	1,527,758	1,283,202	1,070,214
Total Liabilities	<u>1,666,348</u>	<u>1,398,860</u>	<u>1,174,287</u>
Deferred Inflows of Resources			
Deferred Cost of Refunding	244	277	-
Net Position			
Investment in Capital Assets	11,601	1,793	1,912
Restricted	116,302	95,348	80,781
Restricted for Land Title Trust and Housing Trust	37,585	34,401	35,218
Unrestricted	(44,214)	26,183	215,196
Total Net Position	<u>\$ 121,274</u>	<u>\$ 157,725</u>	<u>\$ 333,107</u>

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2023 AND 2022

The decrease in cash and cash equivalents of \$15.2 million primarily reflects smaller balances in the bond acquisition fund due to the timing of Single-Family Mortgage bond transactions.

During this fiscal year, the Authority purchased \$330.8 million of MBS and \$395.3 million in whole loans. MBS and whole loan purchases were offset by \$84.7 million in repayments of securitized mortgage loans and \$371.1 million of the whole loan and down payment assistance loan repayments during the year. The financial statements reflect a \$222.9 million net increase of MBS and mortgage loans receivable due to favoring Mortgage Revenue Bonds (MRB) financing over selling the loans in the secondary market. Under the MRB financing new mortgage loans are added to the statement of net position, whereas sales in the secondary market do not impact the statement of net position. In addition, new production exceeded loan pay downs and prepayments as locked-in low mortgage rates, not incentivizing borrowers to refinance in current rising mortgage rate environment.

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The purchased mortgage servicing rights portfolio associated with the loan originations increased \$1.9 million for a total portfolio of \$20.1 million at year-end.

Over the past year, the Authority experienced a 19.1% increase in liabilities due to tax-exempt bonding activity. Proceeds from the sale of bonds and notes payable were \$604.5 million; bond and note repayments and refunding totaled \$334.8 million, resulting in a net increase for the year of \$269.7 million.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The increase in cash and cash equivalents of \$38.4 million primarily reflects larger balances in the bond acquisition fund due to the timing of Single Family Mortgage bond transactions.

During this fiscal year, the Authority purchased \$334.7 million of MBS and \$482.3 million in whole loans. MBS and whole loan purchases were offset by \$178.8 million in repayments of securitized mortgage loans and \$435.9 million of whole loan and down payment assistance loan repayments during the year. The financial statements reflect a \$46.4 million net increase of MBS and mortgage loans receivable due to favoring Mortgage Revenue Bonds (MRB) financing over selling the loans in the secondary market. Under the MRB financing new mortgage loans are added to the statement of net position, whereas sales in the secondary market do not impact the statement of net position.

The purchased mortgage servicing rights portfolio associated with the loan originations increased \$0.8 million for a total portfolio of \$18.2 million at year-end.

Over the past year, the Authority experienced a 19.1% increase in liabilities due to tax-exempt bonding activity. Proceeds from the sale of bonds and notes payable were \$606.7 million; bond and note repayments and refunding totaled \$370.0 million, resulting in the net increase for the year of \$236.7 million.

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CHANGE IN FINANCIAL POSITION

The operating income for the year increased by approximately \$16.9 million when compared to fiscal year 2022. The following table is a condensed summary of changes in net position for the years ended September 30, 2023, 2022, and 2021 (in thousands):

	2023	2022, As Restated	2021, As Restated
Operating Revenues			
Interest on Loans and MBS	\$ 55,292	\$ 42,474	\$ 41,499
Interest on Securities and Investments	7,498	2,224	1,623
Program Revenues	11,706	12,115	9,201
Loan and Commitment Fees	3,499	3,520	2,393
Administrative Fees	5,585	6,223	16,906
(Loss) Gain on Sale of Securities	2,721	(6,641)	4,971
Total Operating Revenues	<u>86,301</u>	<u>59,915</u>	<u>76,593</u>
Operating Expenses			
Interest Expense	43,931	32,855	31,131
Bond Issuance Costs	2,819	3,673	2,139
Provision for Loan Losses	420	496	65
Administrative and Other Expenses	24,446	25,141	23,612
Total Operating Expenses	<u>71,616</u>	<u>62,165</u>	<u>56,947</u>
Operating Revenue (Loss)	14,685	(2,250)	19,646
Nonoperating Revenues (Expenses)			
Net (Decrease) Increase in Fair Value of Investments	(53,403)	(174,152)	(7,905)
State Appropriations	3,225	2,200	2,034
Grant Income	99,772	65,738	88,264
Grant Expense	(99,772)	(65,738)	(88,264)
Trust Contributions	36	33	30
Trust Distributions	(994)	(1,213)	(6)
Total Nonoperating Expenses	<u>(51,136)</u>	<u>(173,132)</u>	<u>(5,847)</u>
Change in Net Position	(36,451)	(175,382)	13,799
Total Net Position - Beginning of Year, As Restated	<u>157,725</u>	<u>333,107</u>	<u>319,308</u>
Total Net Position - End of Year	<u><u>\$ 121,274</u></u>	<u><u>\$ 157,725</u></u>	<u><u>\$ 333,107</u></u>

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COMPARISON OF YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Operating revenues increased \$26.4 million from 2022 to 2023, or approximately 44%, primarily due to an increase in the interest earned on loans and investments and a reduction on realized State Investment Council investments' fair market value adjustments compared to 2022.

Operating expenses increased by \$9.5 million in 2023, approximately 15.2%, primarily due to an increase in interest expense of \$11.1 million offset with a decrease in bond issuance cost, provisions for loan losses and administrative and other expenses of \$1.6 million.

The change in the fair value of investments for 2023 was a decrease of \$53.4 million compared to a decrease of \$174.2 million in 2022. This represents an increase in the overall fair market value of investments held at September 30, 2023, compared to September 30, 2022. These valuation changes are due to the interest rate sensitivity of these assets. They are adjusted to fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* (GASB No. 31). Most of the assets impacted by the GASB valuation requirement are the MBS held on the Authority's statement of net position that serves as collateral for the single-family bonds issued and provide the revenue source to repay those debt obligations; legally, the Authority cannot sell or trade the related securities unless the bonds are optionally redeemable and redeemed. Rating agencies do not include GASB No. 31 valuation adjustments in their analysis of a Housing Finance Agency's (HFA) performance; these adjustments represent unrealized gains or losses. The Authority considers this valuation changes nonoperating expenses.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Operating revenues decreased \$16.7 million from 2021 to 2022, or approximately 21.8%, primarily due to an increase in administrative fees from loan sales to the secondary market and a reduction in realized State Investment Council investments' fair market value adjustments.

Operating expenses increased by \$5.2 million in 2022, approximately 9.2%, primarily due to increases in interest expense of \$1.7 million, administrative expenses of \$1.5 million and cost of bond issuance expenses of \$1.5 million.

The change in fair value of securities for 2022 was a decrease of \$174.2 million compared to a decrease of \$7.9 million in 2021. This represents a decrease in the overall fair market value of investments, held at September 30, 2022 compared to September 30, 2021. These valuation changes are due to the interest rate sensitivity of these assets. They are adjusted to fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31) to fair value. Most of the assets impacted by the GASB valuation requirement are the MBS held on the Authority's statement of net position that serve as collateral for the single-family bonds issued and provide the revenue source to repay those debt obligations; legally the Authority cannot sell or trade the related securities unless the bonds are optionally redeemable and redeemed. Rating agencies do not include GASB No. 31 valuation adjustments in their analysis of a Housing Finance Agency's (HFA) performance; these adjustments represent unrealized gains or losses. The Authority considers these valuation changes nonoperating revenues.

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DEBT ADMINISTRATION

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

In conjunction with bond issuance activities, the Authority continually investigates and utilizes financing and debt management techniques designed to achieve its goals of minimizing interest expense and efficiently utilizing Bond Cap while managing risk and responding to changing capital markets. The Authority evaluates other innovative bond financing structures and asset/liability management strategies as needed to maximize long-term and short-term earnings. This includes evaluating tax-exempt housing bond structures, issuing taxable bonds when rates are beneficial, and reviewing callable bond programs to determine if earnings could be maximized by eliminating debt and using the assets to generate more income or as a subsidy to upcoming bond issues. Thus, creating mortgage rates that are more competitive for future New Mexico homeowners. The Authority reviews and monitors indenture program parity, cash flow projections, and prepayment speeds. Management of the overall bond portfolio and related assets is an active and ongoing process.

During the fiscal year 2023, the Authority issued \$314.9 million of Single-Family Mortgage Program revenue bonds. This is \$108.5 million less than the \$423.4 million issued in 2022. The issuance of debt decreased during the fiscal year 2023 due to a reduction in production as a result of rising interest rates and a decrease in housing stock. The Authority also sold \$21.4 million of single-family mortgages into the secondary market during the year. Due to the changing market conditions, interest rates rapidly rose to tame inflation. MBS interest margins increased by approximately \$5.6 million this fiscal year compared to 2022 for the Single-Family Mortgage Program. The Authority redeemed \$100.5 million of Single-Family Mortgage Program bonds due to repayments and maturities, compared to \$222.7 million in 2022.

During the fiscal year 2022, the Authority issued \$423.4 million of Single-Family Mortgage Program revenue bonds, including \$33.5 million of refunding bonds. This is \$174.1 million more than the \$249.3 million issued in 2021. The issuance of debt increased during the fiscal year 2022 due to favoring bond financing instead of loan sales to the secondary market. The issuance of tax-exempt bonds produced lower mortgage rates for the borrowers. The Authority also sold \$83.7 million of single-family mortgages into the secondary market during the year. Due to the changing market conditions, interest rates rapidly rose to tame inflation. MBS interest margins decreased by approximately \$0.7 million this fiscal year compared to 2021 for the Single-Family Mortgage Program. The Authority redeemed \$222.7 million of Single-Family Mortgage Program bonds due to repayments and maturities, compared to \$189.2 million in 2021.

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

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In addition to issuing bonds to fund the Authority's Single Family Mortgage Program, the Authority also uses short-term borrowings from the Federal Home Loan Bank (FHLB) of Dallas to support the warehousing of single-family mortgages originated through the mortgage program. As of September 30, 2023, those outstanding notes total \$70 million, compared to \$29 million at the end of 2022. The Authority relies on this liquidity to purchase program mortgages.

ECONOMIC OUTLOOK

The Single-Family Mortgage Program, administration of federal affordable housing programs, interest income on Authority loans and investments, and mortgage servicing income are the primary sources of revenues for the Authority. During 2022, the Authority's programs and investment returns performed well due to the rise in market interest rates, and federal fiscal policy moved into a more robust increasing interest rate mode. The rapid increase in home prices throughout the pandemic and post pandemic era with rising mortgage rates will bring demand for single-family loan production back to pre-pandemic levels, as low-to-median income homebuyers will find it increasingly difficult to find homes to buy at their price point. Because of the resulting decline in home affordability, after record years in 2021 and 2022, loan production declined in 2023 and will continue the trend in 2024 to pre-pandemic levels.

In addition to higher prices for homes, buyers' ability to make monthly payments is also reduced by rising inflation, including greater food and energy prices, which has increased their monthly costs for other necessary expenses. These increased expenses will further discourage potential homebuyers from entering the market. However, the slowdown in financing is unlikely to weaken the financial performance or concern since the Authority's cash flows are not dependent on future loan originations to pay debt service. The trend of rising home prices in 2023 is anticipated to stabilize in 2024. While prices may undergo a correction over the next two years, their magnitude will be limited by fundamental housing strengths such as favorable demographic trends, solid underwriting of outstanding mortgages, and lingering housing supply constraints from a period of underbuilding.

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

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The MBS, which provides collateral for the Single-Family Mortgage Program bonds, had previously been rated AAA. However, on August 5, 2011, Standard and Poor's Rating Services (S&P) downgraded the United States of America (U.S.) long-term rating to AA+ due to political risks and rising debt burden. A "Negative Outlook" was also placed on the rating. During 2015, S&P revised the outlook from negative to stable. As a result of the initial U.S. downgrade, S&P lowered its rating on certain publicly financed debt issues that are credit enhanced by Fannie Mae and Ginnie Mae. In 2015, the Authority changed its primary rating agency relationship to Moody's Investors Service (Moody's). On November 13, 2023, Moody's downgraded the U.S. from Stable to Negative Outlook, but provides a Aaa rating for all bonds backed by Fannie Mae and Ginnie Mae credit-enhanced securities. All the Authority's outstanding bonds currently reflect the Aaa Moody's rating.

Bond proceeds and monthly MBS revenues received between debt service dates are invested in a government money market fund. Restricted cash related to bond issuance remains fully invested, and cash flows are monitored closely. All the Authority's single-family bonds continue to meet all required rating agency cash flow stress tests.

The Authority's investments outside the Single-Family Mortgage Programs are also conservative. They include the AAAm-rated New Mexico State Treasurer's Local Government Investment Pool (LGIP) and internal loan warehousing for short-term investments. Liquid and marketable U.S. agency obligations and Authority program MBS are maintained in the intermediate-term investment portfolio. For long-term investment purposes, the Authority invests in the MBS as well as the non-rated New Mexico State Investment Council (SIC) Investment Funds. The Authority's SIC portfolio includes corporate investment grade bond funds (66%), a large-cap equities fund (23%), a small/mid-cap fund (3%), a non-U.S. developed markets fund (3%), and a non-U.S. emerging markets fund (5%). Several years ago, to improve investment returns, the Authority began investing in its own MBS as bond programs became callable and residual MBS from those bond programs became available. In addition, loans repurchased due to delinquency are now performing and were converted into MBS, which were added to the Authority portfolio.

Due to the strong investment returns associated with the MBS asset class, the Authority now carries both intermediate and long-term MBS portfolios, which yielded approximately 4.68% and 2.76%, respectively, during the fiscal year 2023. During this fiscal year, the U.S. Treasury and agency obligations provided yields of 2.41% compared to 0.62% in 2022. Investments in the SIC experienced \$0.8 million in fair market value gains compared to 2022, when fair market value losses were \$6.1 million. The overall rate of return on the Authority's SIC long-term investment portfolio for 2023 was negative 14.62%.

The Authority expects to continue to lean, like most Housing Finance Agencies (HFAs) in the country, more heavily toward tax-exempt MRB financing in 2024 and continue to use the secondary market when appropriate to fund the Single-Family Mortgage program, depending on market conditions. Based on economic forecasts, the cost of funds in the traditional tax-exempt bond market is expected to continue to be advantageous to the Authority and continue to produce lower mortgage rates for first-time homebuyers. This leads to the Authority's balance sheet growth but lowers revenue from loan sales to the secondary market. The makeup of the Authority's revenue stream will be favorable as a result of the continued rising trend in the interest rate environment.

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The Authority's competitive advantage over conventional lenders and continued strength in loan financing will limit the decline in loan production. The Authority can make lower-interest loans than conventional lenders due to the ability to raise money using tax-exempt MRBs. The spread between the Authority's loan rates and conventional rates is likely to increase as conventional rates rise. These lower mortgage rates allow for fulfilling the Authority's mission of providing loans to first-time low-to-moderate-income homebuyers. In addition, the Authority supports borrowers by providing funds for Down Payment Assistance (DPA) and closing cost assistance, which help increase the attractiveness and maintain the demand and viability of the program. Further, the Authority adjusted the DPA program to alleviate some of the borrowers' inflationary and borrowing pressures. Additionally, the Authority will continue to purchase the mortgage servicing rights associated with the Single-Family Mortgage Program to increase the revenue base for the organization.

Market interest rates influence both Single-Family Mortgage Programs and investment income revenues. If interest rates continue to increase as anticipated, the Authority expects interest income on loans and investment income to increase as new loans are originated and new investments are purchased at a higher interest rate. If interest rates fall, the Authority expects interest income on loans and investment income to decrease as new loans are originated, and new investments are purchased at lower interest rates. However, interest rate declines are not anticipated as market forecasts indicate that traditional mortgage and reinvestment rates will continue to rise. Additionally, the authority expects that the continued climbing mortgage rates will slow down the prepayments and discourage homeowners from refinancing their loans which will keep the mortgage loans on the balance sheet longer and enable the Authority to realize greater mortgage and servicing income over loan life. Conversely, a decrease in mortgage interest rates could cause an increase in prepayments. The U.S. Treasury yield curve is inverted, which provides higher yields for short-term instruments compared to the yields of long-term instruments, and this rise in short-term rates will positively affect Authority's earnings.

The rise in home equity will positively impact the existing Authority's single-family bond program by supporting loan portfolio performance. High home equity coupled with low mortgage rates of portfolio incentivizes borrowers to stay current on their payments. However, high consumer price inflation could begin to reduce the ability of single-family homeowners to make their payments. To date, however, the Authority has not experienced a significant impact of inflation on loan performance. The improved job market trend during 2023, will help homebuyers stay current in their payments.

Furthermore, state and federal attention to affordable housing as a social issue is increasing state and federal funding for the Authority, which will be used for DPA. One such instance is securing recurring funding through Senate Bill 134, a 2.5% severance tax bonding capacity that began in 2023. In addition, the federal government provides funds to the Authority to administer programs such as the rental and homeowner assistance programs during the COVID crisis, resulting in additional administrative fee income. The American Rescue Plan Act (ARPA) provides funding for supportive services, homeownership, rental housing development, and neighborhood revitalization. The increased funding further helps MFA to serve the target markets in the next few years.

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

BASIC FINANCIAL STATEMENTS

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)

	<u>2023</u>	<u>2022, As Restated</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	\$ 51,664	\$ 43,831
Restricted	29,081	45,046
Restricted Cash Held in Escrow	10,590	9,782
Total Cash and Cash Equivalents	<u>91,335</u>	<u>98,659</u>
Accrued Interest Receivable	6,002	4,379
Due from Fiduciary Fund	44	19
Other Current Assets	9,135	5,507
Total Current Assets	<u>106,516</u>	<u>108,564</u>
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	87,267	95,173
Investments:		
Restricted Investments	27,931	12,814
Unrestricted Investments	40,778	48,109
Unrealized Loss on Restricted and Unrestricted Investments	<u>(3,323)</u>	<u>(1,180)</u>
Total Investments, Net	65,386	59,743
Restricted Securitized Mortgage Loans, Net:		
Securitized Mortgage Loans, Net	1,467,093	1,216,737
Unrealized Loss on Securitized Mortgage Loans	<u>(174,885)</u>	<u>(123,624)</u>
Restricted Securitized Mortgage Loans, Net	1,292,208	1,093,113
Mortgage Loans, Net:		
Restricted Trust Funds Mortgage Loans, Net	22,582	19,373
Unrestricted Mortgage Loans, Net	<u>179,005</u>	<u>158,427</u>
Total Mortgage Loans, Net	201,587	177,800
Capital Assets, Net	11,601	1,793
Right-of-Use Asset, Net	484	589
Intangible Assets	20,157	18,290
Other Noncurrent Assets	2,507	1,610
Total Noncurrent Assets	<u>1,681,197</u>	<u>1,448,111</u>
Total Assets	1,787,713	1,556,675
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding Bonds	<u>153</u>	<u>187</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 1,787,866</u></u>	<u><u>\$ 1,556,862</u></u>

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)

	<u>2023</u>	<u>2022, As Restated</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Escrow Deposits and Reserves	\$ 10,370	\$ 9,650
Accrued Interest Payable	8,339	7,519
Accounts Payable and Other Accrued Expenses	19,683	23,353
Compensated Absences	652	591
Current Portion of Bonds Payable	29,076	45,046
Current Portion of Notes Payable	70,181	29,499
Current Portion of Other Noncurrent Liabilities	289	-
Total Current Liabilities	<u>138,590</u>	<u>115,658</u>
NONCURRENT LIABILITIES		
Bonds Payable, Net of Current Portion	1,518,283	1,280,935
Notes Payable, Net of Current Portion	9,161	1,553
Other Noncurrent Liabilities	314	714
Total Noncurrent Liabilities	<u>1,527,758</u>	<u>1,283,202</u>
Total Liabilities	1,666,348	1,398,860
DEFERRED INFLOWS OF RESOURCES		
Deferred Cost of Refunding	244	277
NET POSITION		
Investment in Capital Assets	11,601	1,793
Restricted for Debt Service	116,302	95,348
Restricted for Land Title Trust and Housing Trust	37,585	34,401
Unrestricted:		
Board Designated - General Fund	215,291	218,954
Unrestricted - Bond Issues	(259,505)	(192,771)
Total Unrestricted	<u>(44,214)</u>	<u>26,183</u>
Total Net Position	<u>121,274</u>	<u>157,725</u>
Total Liabilities, Net Position and Deferred Inflows of Resources	<u><u>\$ 1,787,866</u></u>	<u><u>\$ 1,556,862</u></u>

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022, As Restated
OPERATING REVENUES		
Interest on Mortgage Loans and Securitized Mortgage Loans	\$ 55,292	\$ 42,474
Interest on Securities and Investments	7,498	2,224
Housing Program Income	1,755	1,871
Program Servicing Fees	9,951	10,244
Loan and Commitment Fees	3,499	3,520
Administrative Fees	5,585	6,223
Gain (Loss) on Sale of Securities	2,721	(6,641)
Total Operating Revenues	<u>86,301</u>	<u>59,915</u>
OPERATING EXPENSES		
Interest Expense	43,931	32,855
Bond Issuance Costs	2,819	3,673
Provision for Loan Losses	420	496
Administrative and Other Expenses	24,446	25,141
Total Operating Expenses	<u>71,616</u>	<u>62,165</u>
OPERATING INCOME (LOSS)	14,685	(2,250)
NONOPERATING REVENUES (EXPENSES)		
Net (Decrease) Increase in Fair Value of Investments	(53,403)	(174,152)
State Appropriations	3,225	2,200
Grant Income	99,772	65,738
Grant Expense	(99,772)	(65,738)
Trust Contributions	36	33
Trust Distributions	(994)	(1,213)
Total Nonoperating Revenues (Expenses)	<u>(51,136)</u>	<u>(173,132)</u>
CHANGE IN NET POSITION	(36,451)	(175,382)
Total Net Position - Beginning of Year, As Restated for GASB 91	<u>157,725</u>	<u>333,107</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 121,274</u></u>	<u><u>\$ 157,725</u></u>

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022, As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of Loans	\$ (395,259)	\$ (469,334)
Discount (Premium) on Loans	3	-
Receipts of Loan Repayments	371,093	435,025
Loan and Commitment Fees	3,499	3,520
Mortgage Interest Received	53,669	41,980
Purchase of Securitized Mortgage Loans	(330,766)	(334,718)
Discount (Premium) on MBS	(4,328)	(6,652)
Principal Repayment of Securitized Mortgage Loans	84,738	178,809
Restricted Escrow and Reserves, Net	720	645
Receipts for Services	10,684	24,341
Payments to Employees for Services	(11,688)	(10,497)
Payments to Suppliers of Goods or Services	(11,404)	(15,714)
Other Payments	(3,052)	(2,590)
Transfers From (To) Other Prog	124	-
Net Cash Used in Operating Activities	<u>(231,967)</u>	<u>(155,185)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Notes Payable	604,453	582,723
Repayment and Refunding of Bonds and Notes Payable	(334,785)	(369,089)
Payment of Interest on Bonds and Notes	(43,111)	(32,343)
Payment for Bond Issuance Costs	(2,819)	(3,673)
Receipt of Grant Income	99,772	65,738
Payment of Grants	(99,772)	(65,738)
Contributions to Land Title Trust	36	33
Land Title Trust Distributions	(994)	(1,213)
State Appropriations	3,225	2,200
Net Cash Provided by Noncapital Financing Activities	<u>226,005</u>	<u>178,638</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	<u>(9,967)</u>	<u>(75)</u>
Net Cash Used by Capital Financing Activities	<u>(9,967)</u>	<u>(75)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Other Real Estate Owned	1,104	871
Purchase of Investments	(26,934)	(26,147)
Proceeds from Maturity and Sale of Investments	19,002	38,051
Investment Interest Income	7,498	2,259
(Premium) on Investments	29	28
Gain on Sale of Securities	-	4
Net Cash Provided by Investing Activities	<u>699</u>	<u>15,066</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(15,230)</u>	<u>38,444</u>
Cash and Cash Equivalents - Beginning of Year, As Restated	<u>193,832</u>	<u>155,388</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 178,602</u></u>	<u><u>\$ 193,832</u></u>
Current Cash and Cash Equivalents	\$ 91,335	\$ 98,659
Noncurrent Cash and Cash Equivalents	87,267	95,173
Cash and Cash Equivalents - End of Year	<u><u>\$ 178,602</u></u>	<u><u>\$ 193,832</u></u>

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)

	<u>2023</u>	<u>2022, As Restated</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 14,685	\$ (2,250)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Used in Operating Activities:		
Bond Issuance Costs	2,819	3,673
Loan and Commitment Fees	(3,499)	(3,520)
Amortization of Securitized Mortgage Loans and Mortgage Loan Discounts/Premiums	2,242	3,649
(Gain) Loss on Sale of Assets	204	(189)
Depreciation Expense	158	194
Provision of Loan Losses	420	496
Investment Interest Income	(7,498)	(2,224)
Interest Expense on Bonds and Notes Payable	43,931	32,855
Changes in Assets and Liabilities:		
Accrued Interest Receivable on Securitized Mortgage Loans and Mortgage Loans	(1,623)	(494)
Other Current Assets	(3,628)	973
Other Noncurrent Assets	(2,763)	(145)
Accounts Payable and Other Accrued Expenses	(3,670)	9,153
Escrows and Deposits	720	645
Other Noncurrent Liabilities	(6,916)	(7,036)
Securitized Mortgage Loans, Net Cost	(243,762)	(157,095)
Mortgage Loans	(23,787)	(33,870)
Net Cash Used in Operating Activities	<u>\$ (231,967)</u>	<u>\$ (155,185)</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF FIDUCIARY NET POSITION
NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	\$ 851	\$ 757
Total Cash and Cash Equivalents	<u>851</u>	<u>757</u>
Other Current Assets	<u>26</u>	<u>146</u>
Total Current Assets	<u>877</u>	<u>903</u>
Total Assets	<u><u>\$ 877</u></u>	<u><u>\$ 903</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to Authority	\$ 44	\$ 19
Total Current Liabilities	<u>44</u>	<u>19</u>
Total Liabilities	44	19
NET POSITION		
Restricted for Organizations and Other Governments	<u>833</u>	<u>884</u>
Total Net Position	<u>833</u>	<u>884</u>
Total Liabilities and Net Position	<u><u>\$ 877</u></u>	<u><u>\$ 903</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(IN THOUSANDS)**

	<u>2023</u>	<u>2022</u>
ADDITIONS		
CONTRIBUTIONS		
Trust Contributions	\$ 171	\$ 68
Grant Income	<u>348</u>	<u>146</u>
Total Contributions	519	214
OTHER		
Administrative Fees	<u>-</u>	<u>-</u>
Total Additions	519	214
DEDUCTIONS		
Trust Distributions	188	45
Grant Expense	348	146
Administrative and Other Expenses	<u>34</u>	<u>15</u>
Total Deductions	<u>570</u>	<u>206</u>
CHANGE IN NET POSITION	(51)	8
Total Net Position - Beginning of Year	<u>884</u>	<u>876</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 833</u></u>	<u><u>\$ 884</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

For financial reporting purposes, the Authority is considered a discretely presented component unit of the state of New Mexico in accordance with Governmental Accounting Standards Board (GASB) No. 14, *The Financial Reporting Entity* and No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34.

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

Basis of Presentation

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

Basis of Accounting

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

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Estimates

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

Programs

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

- Single-Family Mortgage Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related mortgage loans for single-family, owner-occupied housing in New Mexico. Management expects to be able to securitize single-family mortgage loans to maturity with no funding requirement necessary from the Authority. Each single-family bond indenture is accounted for as a segment (see supplementary statements and schedules).
- General Accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners program, and several down payment assistance programs.
- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:
 - *Low-Income Housing Tax Credit Program (LIHTC)* – The LIHTC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHTC is a 10-year federal tax credit against a taxpayer's ordinary income tax liability that is available to individuals (directly or through partnerships) and corporations who acquire or develop and own qualified low-income rental housing.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Programs (Continued)

- Housing Programs – (Continued):
 - *HOME Investment Partnership Program (HOME)* – Congress created the HOME program as part of the National Affordable Housing Act of 1991. The Authority administers the federal funds to carry out program activities related to single family development, homeowner and rental rehabilitation, and multifamily rental housing finance.
 - *Section 8 Program* – The Section 8 program provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for very low-income families at rents they can afford.
 - *The Weatherization Assistance Program (WAP)* – WAP is a long term grant program funded by the U.S. Department of Energy, state and utility companies. The purpose of the program is to make low income households more energy efficient, thereby reducing the utility bills of these families. The funds may be used for leakage reduction, incidental repairs, health and safety measures, insulation, storm windows and doors, and energy efficiency training.
 - *The Low-Income Home Energy Assistance Program (LIHEAP)* – LIHEAP provides low-income households with a one-time cash benefit to help pay their utility bills. Up to 15% of the program grant, the only portion administered by the Authority, can be used for rehabilitation and can be combined with the WAP funds.
 - *The Emergency Solutions Grants Program (ESG)* – ESG provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters, to help meet the costs of operating emergency shelters, and to provide certain essential social services to homeless individuals and families.
 - *Housing Opportunities for Persons with AIDS Program (HOPWA)* – The HOPWA program is designed to provide states and localities with resources and incentives to devise long-term strategies for meeting the housing needs of persons with acquired immune deficiency syndrome (AIDS) or related diseases.
 - *Tax Credit Assistance Program (TCAP) (Recovery Act Funded)* – TCAP provided grant funds to state housing credit agencies for capital investments in rental projects that received an award of LIHTC during the period from October 1, 2006 to September 30, 2009, and required additional funding to be completed and placed into service in accordance with the LIHTC requirements of Section 42 of the Internal Revenue Code (IRC).

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Programs (Continued)

- Housing Programs – (Continued):
 - *Federal Housing Trust Fund (HTF)* – The HTF, funded by an assessment on loans made by Fannie Mae and Freddie Mac and administered by HUD, was established under the Housing and Economic Recovery Act of 2008. The purpose of the HTF is to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income and very low-income households, including homeless families. The Authority's program provides funds for the production, preservation, and rehabilitation of affordable rental housing units for families earning no more than 30% of the area median income.
 - *Capital Magnet Fund (CMF)* – The CMF, funded by United States Treasury grants, is to attract financing for and increase investment in affordable housing for low-income, very low-income, and extremely low-income people and certain related economic and community development activities. The Authority's program provides down payment assistance to first-time homebuyers who meet the program qualifications.
 - *New Mexico Housing Trust Fund (NMHTF)* – The NMHTF's purpose is to provide flexible funding for housing initiatives in order to produce significant additional housing investment in the state. The fund consists of all distributions and appropriations made to the fund. Earnings of the fund shall be credited to the fund, and unexpended and unencumbered balances in the fund shall not revert to any other fund. The Authority is the trustee for the fund. The fund receives revenue from the following recurring sources: 1) 2.5% of the state's severance tax bonding capacity; 2) appropriations and transfers from the state; 3) any other money appropriated or distributed to the fund; 4) any private contributions to the fund; or 5) earnings of the fund. Money in the fund is appropriated to the Authority for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act, which are to provide affordable residential housing to persons of low or moderate income.
 - *Land Title Trust Fund (LTTF)* – Pursuant to the Land Title Trust Fund Act, depository institutions that maintain trust or escrow accounts for customers may establish and make available pooled interest-bearing transaction accounts for title company escrows. The interest earned from this program is forwarded to the LTTF. The account agreement between the depositor and the financial institution shall expressly provide for the required remittance of interest. The Authority is trustee for the fund. The trustee shall deposit in the fund money received by it pursuant to the Low-Income Housing Trust Act and the Land Title Trust Fund Act, and use funds to finance in whole or part any loans or grant projects that will provide housing for low-income persons or for other uses specified in the Land Title Trust Fund Act.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Programs (Continued)

- Housing Programs – (Continued):
 - *Neighborhood Stabilization Program (NSP)* – The primary objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.
 - *Homeowners' Assistance Fund (HAF)* – This program was established to mitigate financial hardships associated with the coronavirus pandemic, for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services and displacements of homeowners experiencing financial hardship through qualified expenses related to mortgages and housing.

Rental Housing Programs – Accounts for the proceeds from conduit bonds, the debt service requirements of the bonds, and the related loans to qualified lenders for the purpose of financing multifamily rental housing facilities in New Mexico.

Cash and Cash Equivalents

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

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

Unrestricted and Restricted Investments

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

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Securitized Mortgage Loans

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

Mortgage Loans

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

For qualifying borrowers in the Single Family Mortgage Programs, the Authority offers loans to provide DPA. DPA loans are secured by second liens. Additionally, included in mortgage loans as of September 30, 2023 and 2022 were \$2.2 million and \$2.4 million, respectively, of loans to borrowers of certain nonprofit organizations, which are subject to reimbursement provisions in lieu of insurance.

Allowance for Mortgage Loan Losses

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

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

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

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Interest on Mortgage Loans

Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately \$105,000 and \$120,000 as of September 30, 2023 and 2022, respectively. Mortgage loans are placed on nonaccrual after 90 days' delinquency.

Loan Origination and Commitment Fees

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

Bond Issuance Costs

Bond issuance costs are expensed in the period incurred.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Furniture, equipment, and software purchased with a unit cost of \$5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets, which range from 1 to 30 years. Assets under construction are capitalized on the statement of net position as capital assets, net. However, depreciation expense is not computed on assets under construction until the asset is put into service. Furniture and equipment purchases less than \$5,000 or with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Intangible Assets

Intangible assets represent 1) purchased servicing rights – the fees the Authority pays to acquire the servicing of loan portfolios. The purchased servicing rights are capitalized and amortized on the effective-interest method over the estimated remaining life of the acquired portfolio and are carried at lower of cost or market; 2) internally generated computer software and commercially available software modified using more than minimal incremental effort before being placed into service that would be capitalized if it meets the \$5,000 capitalization threshold and has a useful life of more than one year. If not, related outlays are expensed. The assets are recorded at historical cost and amortized over its useful life once it has been placed in service (three years) and 3) right-of-use assets capitalized under the lease agreements and subscription-based information technology agreements with a term greater than one year. The assets are amortized over the life of the leases and subscription-based information technology agreements.

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SEPTEMBER 30, 2023 AND 2022**

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

Deferred Outflows or Inflows of Resources

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

Accrued Arbitrage Rebate

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

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

Advances on Revenue

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

Compensated Absences

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

Vacation Leave

Full-time and part-time employees are eligible to accrue vacation leave based on their length of employment and hours regularly scheduled up to a maximum of 280 hours. At September 30 of each year, any accumulated hours in excess of 280 not taken are forfeited. Accrued vacation leave will be paid to an employee upon termination. Accrued vacation leave is computed by multiplying each employee's current hourly rate by the number of hours accrued.

Sick Leave

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

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

Net Position

Net position is classified as follows:

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

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

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

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

Unrestricted bond issues consist of those bond issues for which funds are not restricted for specific purposes.

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

Revenues and Expenses

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

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

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

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

Revenues and Expenses (Continued)

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

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

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

Income Taxes

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

Adoption of New Accounting Standards

GASB Statement No. 91, *Conduit Debt Obligations*

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangement associated with conduit debt obligations.

The Authority adopted the requirements of the guidance effective October 1, 2021, and has applied the provisions of this standard to the beginning of the earliest comparative period presented. See Note 15 for additional information regarding Conduit Debt Obligations. Net position was restated as below (in thousands):

	2022	2021
Ending Net Position, as Previously Reported	\$ 157,624	\$ 333,573
Restatement Due to GASB Statement No. 91	101	(466)
Ending Net Position, as Restated	<u>\$ 157,725</u>	<u>\$ 333,107</u>

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

Adoption of New Accounting Standards (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Entity adopted the requirements of the guidance effective October 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Government reporting a SBITA asset and a SBITA liability as disclosed in Note 9.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	2023	2022, As Restated
Cash on Deposit at Financial Institutions	\$ 38,625	\$ 30,073
Cash on Deposit at New Mexico State Treasurer	13,038	13,758
Cash on Deposit Held in Escrow	10,590	9,782
Cash Equivalents Not Considered Deposits:		
Money Market Funds	116,349	140,219
Total	<u>\$ 178,602</u>	<u>\$ 193,832</u>

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

	2023	2022
Cash on Deposit at Financial Institutions	<u>\$ 851</u>	<u>\$ 757</u>

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

Custodial Credit Risk

The following represents the reconciliation between the Authority's book balance and bank deposits subject to custodial credit risk as of September 30, 2023 (in thousands):

	<u>Amount</u>
Cash and Cash Equivalents - Unrestricted, Current	\$ 51,664
Cash and Cash Equivalents - Restricted, Current	29,081
Restricted Cash Held in Escrow, Current	10,590
Cash and Cash Equivalents - Restricted, Noncurrent	87,267
Fiduciary Fund Cash and Cash Equivalents, Unrestricted	<u>851</u>
Total Cash and Cash Equivalents Book Balance	179,453
Minus: Money Market Funds	(116,349)
Minus: State Treasurer	(13,038)
Reconciling Items	<u>383</u>
Deposits Subject to Custodial Credit Risk	<u><u>\$ 50,449</u></u>

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2023 and 2022, the Authority's bank balance was approximately \$50,449,000 and \$41,129,000 (which includes the bank balances of the Trust of \$864,000 and \$757,000), respectively. The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to \$250,000 per insured bank. FDIC Coverage for the Authority approximated \$956,000 (\$250,000 for Wells Fargo for the Authority, \$250,000 for Wells Fargo for the Trust, \$250,000 for Sunflower Bank and \$206,000 for other banks). The total amounts subject to custodial credit risk at September 30, 2023 and 2022, are approximately \$12,621,000 and \$9,089,000, respectively. Management does not believe the remaining approximately \$36,872,000 and \$31,285,000 are subject to custodial credit risk at September 30, 2023 and 2022, respectively.

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

Investment Policy

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

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

Investment Policy (Continued)

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

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

Investment Interest and Credit Risk

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

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

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

Investment Interest and Credit Risk (Continued)

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

September 30, 2023						
Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1 - 5	6 - 10	More Than 10	Not Available
Money Market Funds	\$ 116,349	\$ 116,349	\$ -	\$ -	\$ -	\$ -
External State Investment Pools:						
State Treasurer	13,038	13,038	-	-	-	-
State Investment Council	27,931	-	-	-	-	27,931
U.S. Agencies	6,781	2,925	3,856	-	-	-
U.S. Treasury	8,852	3,893	4,959	-	-	-
Securitized Mortgage Loans:						
Unrestricted	21,822	-	396	2,494	18,932	-
Restricted	1,292,208	76	1,359	3,690	1,287,083	-
Total	<u>\$ 1,486,981</u>	<u>\$ 136,281</u>	<u>\$ 10,570</u>	<u>\$ 6,184</u>	<u>\$ 1,306,015</u>	<u>\$ 27,931</u>

September 30, 2022, As Restated						
Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1 - 5	6 - 10	More Than 10	Not Available
Money Market Funds	\$ 140,219	\$ 139,869	\$ -	\$ -	\$ 350	\$ -
External State Investment Pools:						
State Treasurer	13,758	13,758	-	-	-	-
State Investment Council	31,219	-	-	-	-	31,219
U.S. Agencies	25,704	5,881	19,823	-	-	-
Securitized Mortgage Loans:						
Unrestricted	13,197	-	359	230	12,608	-
Restricted	1,093,113	-	1,515	3,437	1,088,161	-
Total	<u>\$ 1,317,210</u>	<u>\$ 159,508</u>	<u>\$ 21,697</u>	<u>\$ 3,667</u>	<u>\$ 1,101,119</u>	<u>\$ 31,219</u>

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

September 30, 2023								
Investment Type	Fair Value							Not Available
		AAA	AAAm	AA+	A+	A	BBB	
Money Market Funds	\$ 116,349	\$ -	\$ 116,349	\$ -	\$ -	\$ -	\$ -	\$ -
External State Investment Pools:								
State Treasurer	13,038	-	13,038	-	-	-	-	-
State Investment Council	27,931	-	-	-	-	-	-	27,931
U.S. Agencies	6,781	-	-	6,781	-	-	-	-
U.S. Treasury	8,852	-	-	8,852	-	-	-	-
Securitized Mortgage Loans:								
Unrestricted	21,822	-	-	1,565	-	-	-	20,257
Restricted	1,292,208	-	-	217,387	-	-	-	1,074,821
Total	<u>\$ 1,486,981</u>	<u>\$ -</u>	<u>\$ 129,387</u>	<u>\$ 234,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095,078</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investment Interest and Credit Risk (Continued)

September 30, 2022, As Restated									
	Fair Value	AAA	AAAm	AA	A+	A	BBB	U.S. Government Guaranteed	Not Available
Money Market Funds	\$ 140,219	\$ -	\$ 139,433	\$ -	\$ 65	\$ 1	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	-	-	71	-	115	534	-	-	-
External State Investment Pools:									
State Treasurer	13,758	-	13,758	-	-	-	-	-	-
State Investment Council	31,219	-	-	-	-	-	-	-	31,219
U.S. Agencies	25,704	13,190	952	11,562	-	-	-	-	-
Securitized Mortgage Loans:									
Unrestricted	13,197	-	-	1,835	-	-	-	11,362	-
Restricted	1,093,113	-	-	170,634	-	-	-	922,479	-
Total	<u>\$ 1,317,210</u>	<u>\$ 13,190</u>	<u>\$ 154,214</u>	<u>\$ 184,031</u>	<u>\$ 180</u>	<u>\$ 535</u>	<u>\$ -</u>	<u>\$ 933,841</u>	<u>\$ 31,219</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the Authority's total investments reported on the statements of net position as of September 30, 2023 and 2022, respectively: Ginnie Mae: 81% and 80%, and Fannie Mae: 16% and 15%.

Fair Value Reporting

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

All investments are valued using quoted market prices (Level 1 inputs).

The State Treasurer's Local Government Investment Pool (LGIP) is recorded at amortized cost. The fair value of the position in LGIP is the same as the value of the pool shares. As the pool is not SEC registered, regulatory oversight of the pool rests with the New Mexico State Treasury.

The fair value of the State Investment Council pool is the same as the value of the of the pooled investment shares.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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SEPTEMBER 30, 2023 AND 2022**

NOTE 3 MORTGAGE LOANS, NET

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

	2023	2022, As Restated
Total Mortgage Loan Principal Outstanding	\$ 211,127	\$ 187,931
Less: Allowance for Mortgage Loan Losses	(9,540)	(10,131)
Mortgage Loans, Net	<u>\$ 201,587</u>	<u>\$ 177,800</u>

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

	2023	2022
Beginning Balance	\$ 10,131	\$ 8,471
Provision for Loan Losses	420	496
Specific Reserves	4	2,515
Loans Written Off Net of Recoveries	(1,015)	(1,351)
Ending Balance	<u>\$ 9,540</u>	<u>\$ 10,131</u>

The mortgage loans have repayment terms ranging from 15 to 32 years. The stated interest rates for these programs are as follows:

Other Mortgage Loans	0.00% to 8.25%
Second Mortgage DPA Loans	0.00% to 8.75%

MBSs have stated interest rates ranging from 2.18% and 7.49%.

As of September 30, 2023 and 2022, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$29,000 and \$78,000, respectively. As of September 30, 2023 and 2022, mortgage loans' total delinquent aggregate principal balances are approximately \$6,968,000 and \$8,886,000, respectively.

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NOTE 3 MORTGAGE LOANS, NET (CONTINUED)

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

	2023	2022
Southwest Neighborhood Housing Services	\$ 217	\$ 220
TIWA Lending Services	7,546	7,684
Fannie Mae Loans	314,132	261,756
Ginnie Mae Loans	1,795,269	1,611,923
Nambe Housing	2,107	1,600
Cochiti Pueblo	754	-
City of Albuquerque	14,564	15,759
Ventana Fund	1,137	1,210
Ohkay Owingeh	879	858
Total	<u>\$ 2,136,605</u>	<u>\$ 1,901,010</u>

NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2023 and 2022, were as follows (in thousands):

	October 1, 2022	Additions	Dispositions	Transfers	September 30, 2023
Land (Nondepreciable)	\$ 512	\$ -	\$ -	\$ -	\$ 512
Building and Improvements	4,363	9,966	-	-	14,329
Furniture and Equipment	2,056	1	(43)	-	2,014
Total Capital Assets	6,931	9,967	(43)	-	16,855
Less Accumulated Depreciation:					
Building and Improvements	(3,204)	(105)	-	-	(3,309)
Furniture and Equipment	(1,934)	(54)	43	-	(1,945)
Total Accumulated Depreciation	(5,138)	(159)	43	-	(5,254)
Capital Assets, Net	<u>\$ 1,793</u>	<u>\$ 9,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,601</u>

	October 1, 2021	Additions	Dispositions	Transfers	September 30, 2022
Land (Nondepreciable)	\$ 512	\$ -	\$ -	\$ -	\$ 512
Building and Improvements	4,363	-	-	-	4,363
Furniture and Equipment	2,100	75	(119)	-	2,056
Total Capital Assets	6,975	75	(119)	-	6,931
Less Accumulated Depreciation:					
Building and Improvements	(3,089)	(115)	-	-	(3,204)
Furniture and Equipment	(1,974)	(79)	119	-	(1,934)
Total Accumulated Depreciation	(5,063)	(194)	119	-	(5,138)
Capital Assets, Net	<u>\$ 1,912</u>	<u>\$ (119)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,793</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 BONDS PAYABLE

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

<u>Single Family Mortgage Programs</u>	<u>2023</u>	<u>2022</u>
2013 Series A - 2.60% interest payable monthly, principal due through 2043	\$ 5,178	\$ 5,722
2013 Series B - 2.23% to 2.85% interest payable monthly, principal due through 2043	7,580	8,276
2013 Series C - 4.50% interest payable monthly, principal due through 2043	9,784	10,850
2014 Series A - 3.70% to 5.00% interest payable quarterly, principal due through 2044	3,470	3,850
2014 Series B - 2.75% interest payable monthly, principal due through 2035	2,674	3,237
2015 Series A - 2.80% to 4.00% interest payable quarterly, principal due through 2045	12,100	13,520
2015 Series B - 2.75% interest payable monthly, principal due through 2035	1,811	2,140
2015 Series D - 3.125% interest payable monthly, principal due through 2037	3,140	3,707
2015 Series E - 3.10% interest payable monthly, principal due through 2037	4,371	5,325
2016 Series A - 2.25% to 3.80% interest payable quarterly, principal due through 2046	18,475	21,060
2016 Series B - 2.60% interest payable monthly, principal due through 2040	9,185	10,470
2016 Series C - 2.00% to 3.5% interest payable quarterly, principal due through 2045	21,815	25,630
2017 Series A - 2.98% interest payable monthly, principal due through 2038	8,196	9,205
2017 Series B - 2.05% to 3.80% interest payable quarterly, principal due through 2048	25,025	28,550
2018 Series A 2.55% to 4.00% interest payable quarterly, principal due through 2049	29,365	34,820
2018 Series B 2.55% to 4.00% interest payable quarterly, principal due through 2049	33,745	38,145
2018 Series C 2.40% to 4.00% interest payable quarterly, principal due through 2049	37,645	41,970
2018 Series D 2.75% to 4.25% interest payable quarterly, principal due through 2049	23,255	26,735
2019 Series A 2.25% to 4.25% interest payable quarterly, principal due through 2050	37,760	41,915

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 BONDS PAYABLE (CONTINUED)

<u>Single Family Mortgage Programs</u>	<u>2023</u>	<u>2022</u>
2019 Series B 3.45% interest payable monthly, principal due through 2040	\$ 10,096	\$ 11,686
2019 Series C 2.00% to 4.00% interest payable quarterly, principal due through 2050	48,020	55,145
2019 Series D 1.65% to 3.75% interest payable quarterly, principal due through 2050	62,715	69,710
2019 Series E 2.90% interest payable monthly, principal due through 2040	8,898	9,684
2019 Series F 1.60% to 3.50% interest payable monthly, principal due through 2050	82,235	93,390
2020 Series A 1.25% to 3.50% interest payable monthly, principal due through 2051	53,590	58,625
2020 Series B - 0.50% to 3.00% interest payable monthly, principal due through 2051	46,130	49,930
2021 Series A - 0.30% to 3.00% interest payable monthly, principal due through 2052	71,255	75,025
2021 Series B - 1.62% interest payable monthly, principal due through 2042	10,679	11,710
2021 Series C - 0.375% to 3.00% interest payable monthly, principal due through 2052	94,665	97,830
2021 Series D - 0.45% to 3.00% interest payable semi-annually, principal due through 2052	95,055	98,525
2022 Series A - 0.65% to 3.00% interest payable semi-annually, principal due through 2053	95,155	98,960
2022 Series B - 2.2% interest payable monthly, principal due through 2044	27,880	30,200
2022 Series C - 2.20% to 4.25% interest payable semi-annually, principal due through 2053	87,455	90,000
2022 Series D - 2.05% to 5.25% interest payable semi-annually, principal due through 2053	98,115	99,900
2022 Series E - 3.25% to 6.25% interest payable semi-annually, principal due through 2053	73,870	-
2023 Series A - 2.50% to 5.75% interest payable semi-annually, principal due through 2054	59,600	-
2023 Series B - 2.80% to 5.50% interest payable semi-annually, principal due through 2054	80,000	-
2023 Series C - 3.30% to 5.75% interest payable semi-annually, principal due through 2054	100,000	-
Subtotal	<u>1,499,987</u>	<u>1,285,447</u>
Unaccreted Premium, Net of Underwriters' Discount	<u>47,372</u>	<u>40,534</u>
Subtotal Single Family Mortgage Programs, Net Bonds Payable	<u><u>\$ 1,547,359</u></u>	<u><u>\$ 1,325,981</u></u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 5 BONDS PAYABLE (CONTINUED)

	2023	2022
Total Bonds Payable	\$ 1,499,987	\$ 1,285,447
Total Unaccrued Premium, Net of Unamortized Discount	47,372	40,534
Total Bonds Payable	<u>\$ 1,547,359</u>	<u>\$ 1,325,981</u>

In November 2005 the Authority began issuing single family mortgage program bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bond issues under this indenture are 2005D through 2009E and 2012A through 2022D. The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBSs and other assets in the accounts established under the General Indenture and each Series Indenture.

Prior to November 2005, the Authority issued bonds under separate Trust Indentures. The bonds were secured as described in each Trust Indenture by the revenues, moneys, investments, mortgage loans, MBSs and other assets in the accounts established by each respective Trust Indenture. As of September 30, 2016 all single family stand-alone bond indentures have been paid off.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2023 and 2022 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In December 2009, the Authority entered into a NIBP General Indenture of Trust dated December 1, 2009, to accommodate those bonds issued under the New Issue Bond Program (the NIBP Program) which was developed by the US Treasury in conjunction with Fannie Mae and Freddie Mac. On December 23, 2009, The Authority issued 2009 Series Bonds (GSE Escrow Bond Purchase Program) in the amount of \$155 million. The interest on the GSE Escrow Bond Purchase Program was a variable rate that produces an interest payment equal to investment earnings. The bonds were placed with Fannie Mae and Freddie Mac with bond proceeds being held in an escrow at US Bank National Association. The purpose of the escrow issue was to store private activity volume cap. The escrow bonds could then be rolled out into a maximum of six bond issues to provide funds to originate mortgage loans with all rollouts being initiated by December 31, 2011. In addition, the 2015 Series C and 2016 Series B bonds were issued under this indenture.

During fiscal year 2023, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005, as follows:

- \$74.99 million Single Family Mortgage Program Class I Bonds, 2022 Series E (Tax-Exempt) (Non-AMT). The \$74.99 million 2022 Series E bonds were used to originate new loans.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 5 BONDS PAYABLE (CONTINUED)

- \$60.0 million Single Family Mortgage Program Class I Bonds, 2023 Series A (Tax-Exempt) (Non-AMT). The \$60.0 million 2023 Series A bonds were used to originate new loans.
- \$80.0 million Single Family Mortgage Program Class I Bonds, 2023 Series B (Tax-Exempt) (Non-AMT). The \$80.0 million 2023 Series B bonds were used to originate new loans.
- \$100.0 million Single Family Mortgage Program Class I Bonds, 2023 Series C (Tax-Exempt) (Non-AMT). The \$100.0 million 2023 Series C bonds were used to originate new loans.

During fiscal year 2022, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- \$99.99 million Single Family Mortgage Program Class I Bonds, 2021 Series D (Tax-Exempt) (Non-AMT). The \$99.99 million 2021 Series B bonds were used to originate new loans.
- \$133.5 million Single Family Mortgage Program Class I Bonds, 2022 Series A (Tax-Exempt) (Non-AMT) and 2022 Series B (MBS Pass-Through Program) (Federally Taxable). The \$100 million 2022 Series A bonds were used to originate new loans. The \$33.5 million 2022 Series B bonds combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2012 Series A, 2012 Series B and 2011 Series A / 2015 Series C. The Authority will realize a \$3.9 million positive cash flow from this refunding and an economic gain of approximately \$3.9 million.
- \$90 million Single Family Mortgage Program Class I Bonds, 2022 Series C (Tax-Exempt) (Non-AMT). The \$90 million 2022 Series C bonds were used to originate new loans.
- \$99 million Single Family Mortgage Program Class I Bonds, 2022 Series D (Tax-Exempt) (Non-AMT). The \$99 million 2022 Series D bonds were used to originate new loans.

During fiscal years 2023 and 2022, the Authority did not issue any bonds under the NIBP General Indenture of Trust dated December 1, 2009.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 6 NOTES PAYABLE

Notes payable with assets pledged as collateral consist of the following (in thousands):

Assets Pledged as Collateral	2023	2022
PRLF Cash and Loans	\$ 1,452	\$ 1,521
Jefferson Building	7,784	-
Securities and Loans Held for Sale	70,000	29,000
Subtotal: Debt With Pledged Collateral	79,236	30,521
Other Direct Borrowings Without Assets Pledged	106	531
Total Direct Borrowings	<u>\$ 79,342</u>	<u>\$ 31,052</u>

The Authority also has two lines of credit in the amount of \$6,500,000 and \$2,500,000 as of September 30, 2023 and 2022, respectively. The Authority had an outstanding balance of \$-0- and \$-0- as of September 30, 2023 and 2022, respectively.

The Authority's outstanding debt pledged by PRLF cash and loans of \$1,452,000 and \$1,521,000 as of September 30, 2023 and 2022, respectively, contains a provision that in the event of default, the Lender may declare all indebtedness immediately due and payable and may proceed to enforce its rights to any instrument securing the debt.

The Authority's outstanding debt pledged by securities and loans held for sale of \$70,000,000 contains a provision that in the event the FHLB Bank withdraws its approval to participate in the Held For Sale program, the Bank will designate a Held for Sale Transition Date, after which the Authority will not be able to pledge loans until the Authority is re-approved.

The Authority's outstanding debt pledged by the building located at 7425 Jefferson of \$7,784,000 contains a provision that in the event of default, the Lender may declare all indebtedness immediately due and payable.

The Authority's outstanding notes from other direct borrowings of \$106,000 contains a provision that in the event of default, at Lender's option after giving 30 days' notice, all indebtedness will become immediately due and payable.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 7 DEBT SERVICE REQUIREMENTS

A summary of bond and note debt service requirements as of September 30, 2023 is as follows (in thousands):

Year Ending September 30,	Bonds Payable		Notes from Direct Borrowings	
	Interest	Principal	Interest	Principal
2024	\$ 53,099	\$ 29,076	\$ 734	\$ 70,181
2025	52,233	29,750	350	74
2026	51,489	30,600	349	74
2027	50,681	31,855	348	74
2028	49,800	32,880	349	74
2029 - 2033	233,235	186,185	1,533	371
2034 - 2038	161,826	194,023	110	8,155
2039 - 2043	183,865	376,420	9	339
2044 - 2048	83,177	364,463	-	-
2049 - 2053	22,317	223,975	-	-
2054 - 2058	21	760	-	-
Subtotal	941,743	1,499,987	3,782	79,342
Net Unaccrued Premium	-	47,372	-	-
Total	<u>\$ 941,743</u>	<u>\$ 1,547,359</u>	<u>\$ 3,782</u>	<u>\$ 79,342</u>

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At September 30, accounts payable and accrued expenses consist of the following (in thousands):

	2023	2022, As Restated
Vendor	\$ 14,345	\$ 14,526
Employee Benefits	776	708
Advances on Revenue	4,562	8,119
Total	<u>\$ 19,683</u>	<u>\$ 23,353</u>

NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

Leases

In fiscal year 2022, the Authority entered into a lease agreement for copier and printer equipment for 60 months beginning in March 2022. Under the terms of the lease, the Authority pays \$1,768 per month over the life of the agreement.

At September 30, 2023, the Authority has recognized a right-to-use asset of \$68,000 and a lease liability of \$68,000 related to this agreement. During the fiscal year, the Authority recorded \$20,000 in amortization expense and \$1,000 in interest expense for the right to use these assets. The Authority used an incremental discount rate of 3.00%, based on the lease agreement.

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**NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS
(CONTINUED)**

Leases (Continued)

Remaining obligations associated with these leases are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20	\$ 2	\$ 22
2025	20	2	22
2026	20	2	22
2027	8	-	8
Total	<u>\$ 68</u>	<u>\$ 6</u>	<u>\$ 74</u>

Subscription Based Information Technology Arrangements (SBITA)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying information technology assets.

In fiscal year 2023, the Authority entered into the following subscription-based lease agreements that expire at various dates through 2026:

The Authority entered into a three-year agreement with Neighborly on 5/26/2022. The agreement term began 5/9/2022 – 5/8/2025 and includes an implementation fee of \$5,000 and an annual fee schedule of \$120,000 the first two years and \$45,000 the third year for a total of \$290,000. The agreement auto-renews in one-year increments. The Authority recognized a right of use software asset and liability for \$289,000. The Authority is using an interest rate based on the Authority's incremental borrowing rate of .11%. The Authority amortized the net present value of the agreement over the term of the agreement at \$8,000/month and upon payment of agreement will recognize interest expense of \$15/month.

The Authority entered into a recurring two-year agreement on 3/12/2013 with Bloomberg Finance. The agreement auto-renews unless cancelled. There were two agreement terms active during FY2023. The first term began 3/12/2021 – 3/11/2023, which had a quarterly payment of \$7,000. The second term began 3/12/2023 – 3/11/2025, which has a quarterly payment of \$8,000. The Authority recognized an initial software asset and liability for \$59,000 and \$63,000, respectively. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 0.32% and 2.22% respectively. The Authority amortized the net present value of the agreement over the term of the agreement at \$2,000/month and \$3,000/month, respectively. Upon payment of the agreement, the Authority will recognize interest expense of \$9/month and \$66/month, respectively.

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**NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS
(CONTINUED)**

Subscription Based Information Technology Arrangements (SBITA) (Continued)

The Authority entered into a three-year agreement with Centage Budgeting software on 3/27/2020. There were two agreement terms active during FY2023. The first term began 3/27/2020 – 3/26/2023, which had an annual payment of \$19,000. The second agreement term began 3/27/2023 – 3/26/2026, which had a one-time payment of \$58,000. The Authority recognized an initial software asset and liability for \$83,000 and \$58,000 respectively. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 2.12% and 0% respectively. The Authority amortized the net present value of the agreement over the term of the agreement at \$2,000/month and \$2,000/month respectively. Upon payment of the agreement, the Authority will recognize interest expense of \$66/month and \$0/month, respectively.

The Authority entered into an agreement with PowerLender on 01/01/2019 – 12/31/2024, which has a quarterly payment of \$18,000. The agreement auto renews in one-year increments. The Authority recognized an initial software asset and liability for \$420,000. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 1.90%. The Authority amortized the net present value of the agreement over the term of agreement at \$6,000/month. Upon payment of the agreement, the Authority will recognize interest expense of \$247/month.

The Authority entered into a five-year agreement with VirPack on 03/14/2018 that auto renews in two year increments unless cancelled. There are two terms of the agreement valid during FY23. The first term is 03/14/2018 – 03/13/2023, which had a monthly payment of \$3,000. The second term began 3/14/2023 – 3/13/2025, which has a monthly payment of \$4,000. The Authority recognized an initial software asset and liability of \$158,000 and \$84,000, respectively. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 1.04% and 2.22% respectively. The Authority amortized the net present value of the agreement over the term of the agreement at \$3,000/month and \$4,000/month respectively. Upon payment of the agreement, the Authority will recognize interest expense of \$58/month and \$82/month, respectively.

The Authority entered into a three-year agreement with GoSecure on 6/30/2021 that is recurring unless cancelled. The agreement term is 06/30/2021 - 06/30/2024, which has an annual payment of \$33,000. The Authority recognized an initial software asset and liability of \$98,000. The Authority is using an interest rate based on the Authority's incremental borrowing rate of .15%. The Authority amortizes the net present value of the agreement over the term of the agreement at \$2,700/month. Upon payment of the agreement, the Authority will recognize interest expense of \$8/month.

As of September 30, 2023, SBITA assets and the related accumulated amortization totaled \$706,000 and \$290,000, respectively.

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**NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS
(CONTINUED)**

Subscription Based Information Technology Arrangements (SBITA) (Continued)

The future subscription payments under SBITA agreements are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 289	\$ 5	\$ 294
2025	125	2	127
2026	2	-	2
Total	<u>\$ 416</u>	<u>\$ 7</u>	<u>\$ 423</u>

In the statement of net position, under intangible assets, the Authority amortized the right-to-use assets as following during the fiscal year (in thousands):

	October 1, 2022, As Restated	Additions	Deletions	September 30, 2023
Lessee Activities				
Printers and Copiers	\$ 89	\$ -	\$ (21)	\$ 68
Subscription-Based Technology	500	206	(290)	416
Total	<u>\$ 589</u>	<u>\$ 206</u>	<u>\$ (311)</u>	<u>\$ 484</u>

	October 1, 2021, As Restated	Additions	Deletions	September 30, 2022 As Restated
Lessee Activities				
Printers and Copiers	\$ -	\$ 99	\$ (10)	\$ 89
Subscription-Based Technology	443	289	(232)	500
Total	<u>\$ 443</u>	<u>\$ 388</u>	<u>\$ (242)</u>	<u>\$ 589</u>

NOTE 10 NONCURRENT LIABILITIES AND COMPENSATED ABSENCES

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

	2022, As Restated	Increases	Decreases	September 30, 2023	Current Portion
Bonds Payable	\$ 1,325,981	\$ 325,453	\$ (104,075)	\$ 1,547,359	\$ 29,076
Notes from Direct Borrowings	31,052	279,000	(230,710)	79,342	70,181
Other Noncurrent Liabilities	714	-	(111)	603	289
Compensated Absences	591	694	(633)	652	652
Total	<u>\$ 1,358,338</u>	<u>\$ 605,147</u>	<u>\$ (335,529)</u>	<u>\$ 1,627,956</u>	<u>\$ 100,198</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 10 NONCURRENT LIABILITIES AND COMPENSATED ABSENCES (CONTINUED)

	October 1, 2021, As Restated	Increases	Decreases	September 30, 2022 As Restated	Current Portion
Bonds Payable	\$ 1,116,456	\$ 432,223	\$ (222,698)	\$ 1,325,981	\$ 45,046
Notes from Direct Borrowings	26,941	150,500	(146,389)	31,052	29,499
Other Noncurrent Liabilities	575	139	-	714	-
Compensated Absences	543	597	(549)	591	591
Total	<u>\$ 1,144,515</u>	<u>\$ 583,459</u>	<u>\$ (369,636)</u>	<u>\$ 1,358,338</u>	<u>\$ 75,136</u>

NOTE 11 LITIGATION

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

NOTE 12 EMPLOYEE BENEFIT PLAN

The Authority sponsors the New Mexico Mortgage Finance Authority 401(k) Plan (the Benefit Plan). The Benefit Plan is a defined-contribution 401(k) plan, which covers substantially all of the Authority's employees. Participating employees may make pre-tax salary deferrals of not less than 1% of the participating employee's annual salary. If the employee makes the minimum 1% employee salary deferral, the Authority will make a matching contribution. The Authority match is the same as the employee if they contribute 1% or 2%, if the employee contributes 3% the Authority match is equal to 5% of the participating employee's salary on a per payroll basis. In addition to the matching contribution, the Authority makes a fixed per payroll contribution equal to 11% of each participating employee's salary regardless of whether or not the participant makes a salary deferral. Plan participants become fully vested in the Authority's contributions after five years of service. The Authority also sponsors a 457(b) plan. The Authority's and employees' contributions to the Benefit Plan were approximately \$1,213,000 and \$499,000, respectively, for the year ended September 30, 2023. The Authority's and employees' contributions to the Benefit Plan were approximately \$1,112,000 and \$440,000, respectively, for the year ended September 30, 2022. The Executive Director, Human Resources Director, and Chief Financial Officer have the authority to amend the plans.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 13 BOARD-DESIGNATED NET POSITION

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

	2023	2022, As Restated
Single Family and Multifamily Programs as Designated by the Board	\$ 21,403	\$ 31,560
Future General Operating Budget	34,153	31,681
Housing Opportunity Fund	117,129	117,129
Risk-Sharing Loss Exposure	1,093	1,122
Federal and State Housing Programs Administered by the Authority	21,373	19,200
Investment in Mortgage Servicing Rights	20,140	18,262
Total Board-Designated Net Position	<u>\$ 215,291</u>	<u>\$ 218,954</u>

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

NOTE 14 COMMITMENTS AND CONTINGENCIES

The Authority entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 542(c) of the Housing and Community Development Act of 1992, whereby HUD and the Authority provide credit enhancements for third party multifamily housing project loans. HUD has assumed 90% of the risk and the Authority guarantees the remaining 10% risk of loss in the event of default on specific loans. As of September 30, 2023 and 2022, the Authority is committed to assume a risk of approximately \$4,373,000 and \$4,384,000 for the 34 and 34 loans closed, respectively. These loans are considered in the Authority's assessment for the allowance for mortgage loan losses. As of September 30, 2023, of the 34 loans closed, 3 of the loans are not included in the Authority's financial statements because they are 100% participations with Fannie Mae. Of the \$4,373,000 risk assumed as of September 30, 2023, the Authority's assumed risk approximated \$147,000 for these off-balance sheet loans. The end dates for the guarantees range from 2027-2058. In situations where the Authority is called upon to honor its guarantee, the Authority will take possession of and sell the loan collateral. HUD and the Authority will make up any shortfall resulting from the sale of the collateral on a 90%/10% pro rata basis.

The Authority entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority as of September 30, 2023. As of September 30, 2023 and 2022, the Authority is committed to assume a risk of approximately \$101,000 and \$103,000 for the one loan closed, respectively.

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NOTE 15 CONDUIT DEBT OBLIGATIONS

The Authority issues housing-related conduit debt obligations (CDO) to finance multifamily housing for the benefit of low-income tenants. All CDOs issued and outstanding at year end were issued with the Authority making a limited commitment to maintain the issue's tax-exempt status. The Authority assumes no responsibility for debt service payments beyond the resources provided by borrower/obligor. The aggregate outstanding principal amount of all CDOs issued with limited commitments as of September 30, 2023 and 2022 was \$190,916,000 and \$71,730,000, respectively.

NOTE 16 RISK MANAGEMENT

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

NOTE 17 JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

The Authority has entered into two joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2023, these JPAs and MOUs were as follows:

- (a) The Authority entered into a JPA with the State Investment Council in January 2006. The purpose of the agreement is to establish a relationship under which SIC will act as the investment manager of the Authority's funds. The JPA was effective January 1, 2006, and will continue in force until terminated by the parties.
- (b) The Authority entered into a JPA with the New Mexico Department of Finance and Administration (DFA) in October 2019, which was amended October 2021. The purpose of the agreement is for the implementation and administration of a subgrant of the HUD Neighborhood Stabilization Program 1 grant. The Authority has the responsibility for program operations. The JPA was effective October 22, 2019 and terminated October 22, 2022. The maximum amount to be reimbursed under the JPA was \$1,527,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

NOTE 18 APPROPRIATIONS

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

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NOTE 18 APPROPRIATIONS (CONTINUED)

The following chart describes the appropriations from the state severance tax or general obligation bonds (in thousands) as of September 30, 2023:

Description	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
Weatherization and Energy Efficiency	\$ 1,000	9/9/20-6/30/24	\$ 1,000	\$ 1,000	\$ -
Housing Trust Fund	3,000	11/5/21-6/30/25	2,950	3,000	-
Housing Trust Fund & Affordable Housing Act	9,000	8/2/22-6/30/26	724	9,000	-
Housing Trust Fund	37,530	7/1/23-6/30/26	32	7,777	29,753
Total	<u>\$ 50,530</u>		<u>\$ 4,706</u>	<u>\$ 20,777</u>	<u>\$ 29,753</u>

NOTE 19 TRANSACTIONS WITH NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST

In September 2007, the Authority's board of directors approved the creation of the New Mexico Affordable Housing Charitable Trust, a 501(c)3 entity. The purpose of the Trust is to support the purposes and programs of the Authority, to seek gifts and grants of property, to borrow money, and to lend, lease, sell, exchange, or otherwise transfer or distribute property for affordable housing. The Trust is governed by the Authority's board of directors. The Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. During fiscal years 2023 and 2022, the Authority incurred \$8,400 and \$6,300, respectively, on behalf of the Trust. As of September 30, 2023 and 2022, there were \$44,000 and \$19,000 balances due to/from the Trust.

NOTE 20 ESCROW DEPOSITS AND DEVELOPMENT RESERVES

The escrow deposits represent balances of receipts from single family program homeowners and multifamily program developers for anticipated payments of real estate taxes, property insurance, and mortgage insurance. Development reserves represent operating reserves for repairs and replacement, property improvements, supportive services and potential operating deficits experienced by rental housing program developments. The accounts are individually insured.

NOTE 21 SUBSEQUENT EVENTS

On November 21, 2023, the Authority issued \$125,000,000 (2023 Series D) of Single-Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2023 Series D Bonds will be used to finance certain qualifying mortgage loans under the Single-Family Mortgage Program. A portion of the 2023 Series D Bonds was sold at a premium generating \$3,269,000, which will be used to purchase 2023 Series D Certificates, to fund 2023 Series D Participation Loans and to fund a portion of bond expenses.

SUPPLEMENTARY STATEMENTS AND SCHEDULES

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023
(IN THOUSANDS)

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
ASSETS			
CURRENT ASSETS			
Restricted Cash and Cash Equivalents	\$ 29,036	\$ 45	\$ 29,081
Accrued Interest Receivable	4,555	36	4,591
Intra-Entity Payable	(640)	(23)	(663)
Total Current Assets	32,951	58	33,009
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	86,917	350	87,267
Restricted Securitized Mortgage Loans, Net:			
Securitized Mortgage Loans, Net Cost	1,457,320	9,772	1,467,092
Unrealized Gain on Securitized Mortgage Loans	(174,259)	(626)	(174,885)
Total Restricted Securitized Mortgage Loans, Net	1,283,061	9,146	1,292,207
Total Noncurrent Assets	1,369,978	9,496	1,379,474
Total Assets	1,402,929	9,554	1,412,483
DEFERRED OUTFLOWS			
Refundings of Debt	153	-	153
Total Assets and Deferred Outflows	\$ 1,403,082	\$ 9,554	\$ 1,412,636
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued Interest Payable	\$ 8,190	\$ 20	\$ 8,210
Accounts Payable and Other Accrued Expenses	26	-	26
Current Portion of Bonds Payable	29,031	45	29,076
Total Current Liabilities	37,247	65	37,312
NONCURRENT LIABILITIES			
Bonds Payable	1,509,143	9,140	1,518,283
Total Noncurrent Liabilities	1,509,143	9,140	1,518,283
Total Liabilities	1,546,390	9,205	1,555,595
Deferred Cost of Refunding	244	-	244
NET POSITION:			
Net Position Restricted for Debt Service	115,953	349	116,302
Unrestricted Net Position	(259,505)	-	(259,505)
Total Net Position	(143,552)	349	(143,203)
Total Liabilities and Net Position	\$ 1,403,082	\$ 9,554	\$ 1,412,636

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2023
(IN THOUSANDS)

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	\$ 45,933	\$ 431	\$ 46,364
Interest on Securities and Temporary Investments	4,329	15	4,344
Gain Asset Sale	-	-	-
Loan and Commitment Fees	3,306	-	3,306
Administrative Fees and Other	(4,104)	(55)	(4,159)
Total Operating Revenues	49,464	391	49,855
OPERATING EXPENSES			
Interest	41,630	250	41,880
Bond Issuance Costs	2,819	-	2,819
Administrative Fees and Other	183	1	184
Total Operating Expenses	44,632	251	44,883
OPERATING INCOME	4,832	140	4,972
NONOPERATING REVENUES (EXPENSES)			
Net Decrease in Fair Value of Investments	(51,055)	(207)	(51,262)
Other Financing Sources (Uses) - Operating Transfers	586	(76)	510
Total Nonoperating Revenue (Expenses)	(50,469)	(283)	(50,752)
CHANGE IN NET POSITION	(45,637)	(143)	(45,780)
Total Net Position - Beginning of Year	(97,915)	492	(97,423)
TOTAL NET POSITION - END OF YEAR	<u>\$ (143,552)</u>	<u>\$ 349</u>	<u>\$ (143,203)</u>
CONDENSED STATEMENTS OF CASH FLOWS			
NET CASH PROVIDED (USED) BY:			
Operating Activities	\$ (206,950)	\$ 1,326	\$ (205,624)
Noncapital Financing Activities	178,947	(1,538)	177,409
Investing Activities	4,329	15	4,344
NET DECREASE	(23,674)	(197)	(23,871)
Cash and Cash Equivalents - Beginning of Year	139,627	592	140,219
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 115,953</u>	<u>\$ 395</u>	<u>\$ 116,348</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022
(IN THOUSANDS)**

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
ASSETS			
CURRENT ASSETS			
Restricted Cash and Cash Equivalents	\$ 44,771	\$ 275	\$ 45,046
Accrued Interest Receivable	3,438	39	3,477
Intra-Entity Payable	(638)	(9)	(647)
Total Current Assets	47,571	305	47,876
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	94,856	317	95,173
Restricted Securitized Mortgage Loans, Net:			
Securitized Mortgage Loans, Net Cost	1,205,955	10,782	1,216,737
Unrealized Gain on Securitized Mortgage Loans	(123,205)	(419)	(123,624)
Total Restricted Securitized Mortgage Loans, Net	1,082,750	10,363	1,093,113
Total Noncurrent Assets	1,177,606	10,680	1,188,286
Total Assets	1,225,177	10,985	1,236,162
DEFERRED OUTFLOWS			
Refundings of Debt	187	-	187
Total Assets and Deferred Outflows	\$ 1,225,364	\$ 10,985	\$ 1,236,349
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued Interest Payable	\$ 7,458	\$ 23	\$ 7,481
Accounts Payable and Other Accrued Expenses	33	-	33
Current Portion of Bonds Payable	44,771	275	45,046
Total Current Liabilities	52,262	298	52,560
NONCURRENT LIABILITIES			
Bonds Payable	1,270,740	10,195	1,280,935
Total Noncurrent Liabilities	1,270,740	10,195	1,280,935
Total Liabilities	1,323,002	10,493	1,333,495
Deferred Cost of Refunding	277	-	277
NET POSITION:			
Net Position Restricted for Debt Service	94,856	492	95,348
Unrestricted Net Position	(192,771)	-	(192,771)
Total Net Position	(97,915)	492	(97,423)
Total Liabilities and Net Position	\$ 1,225,364	\$ 10,985	\$ 1,236,349

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2022
(IN THOUSANDS)

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	\$ 34,356	\$ 642	\$ 34,998
Interest on Securities and Temporary Investments	493	1	494
Loan and Commitment Fees	3	1	4
Other Revenues	3,324	-	3,324
Administrative Fees and Other	(3,678)	(76)	(3,754)
Total Operating Revenues	34,498	568	35,066
OPERATING EXPENSES			
Interest	32,206	459	32,665
Bond Issuance Costs	3,673	-	3,673
Administrative Fees and Other	160	5	165
Total Operating Expenses	36,039	464	36,503
OPERATING INCOME (LOSS)	(1,541)	104	(1,437)
NONOPERATING REVENUES (EXPENSES)			
Net Decrease in Fair Value of Investments	(169,141)	(2,918)	(172,059)
Other Financing Uses - Operating Transfers	(2,865)	(1,843)	(4,708)
Total Nonoperating Revenue (Expenses)	(172,006)	(4,761)	(176,767)
CHANGE IN NET POSITION	(173,547)	(4,657)	(178,204)
Total Net Position - Beginning of Year	75,632	5,149	80,781
TOTAL NET POSITION - END OF YEAR	<u>\$ (97,915)</u>	<u>\$ 492</u>	<u>\$ (97,423)</u>
CONDENSED STATEMENTS OF CASH FLOWS			
NET CASH PROVIDED (USED) BY:			
Operating Activities	\$ (143,876)	\$ 14,435	\$ (129,441)
Noncapital Financing Activities	189,071	(15,098)	173,973
Investing Activities	496	2	498
NET INCREASE (DECREASE)	45,691	(661)	45,030
Cash and Cash Equivalents - Beginning of Year	93,936	1,253	95,189
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 139,627</u>	<u>\$ 592</u>	<u>\$ 140,219</u>

SINGLE AUDIT INFORMATION

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number / Grant Number	Subrecipient Expenditures	Total Federal Expenditures	Beginning Balance, Loan or Loan Guarantees	Total
FEDERAL GRANTS						
U.S. Department of Housing and Urban Development						
Section 8 Housing Assistance Payments Program	14.195	NM800CC001	\$ 32,798,120	\$ 34,282,907	\$ -	\$ 34,282,907
Section 811	14.326	NM21RDD1301	330,131	330,131	-	330,131
Emergency Solutions Grants Program	14.231	E-23-DC-35-0001	1,459,271	1,512,103	-	1,512,103
COVID-19 Emergency Solutions Grants Program - CARES Act	14.231	E-20-DW-35-0001	3,224,663	3,273,545	-	3,273,545
Total Emergency Solutions Grants Program			<u>4,683,934</u>	<u>4,785,648</u>	<u>-</u>	<u>4,785,648</u>
HOME Investment Partnerships Program	14.239	M23-SG350100	1,545,837	4,598,886	40,373,467	44,972,353
HOME ARP	14.239	M21-SP350100	1,001,448	1,079,026	-	1,079,026
			<u>2,547,285</u>	<u>5,677,912</u>	<u>40,373,467</u>	<u>46,051,379</u>
Housing Opportunities for People with AIDS	14.241	NMH23-F999	1,207,276	1,251,277	-	1,251,277
COVID-19 Housing Opportunities for People with AIDS	14.241	NMH20-FHW999	12,233	14,533	-	14,533
Total Housing Opportunities for People with AIDS			<u>1,219,509</u>	<u>1,265,810</u>	<u>-</u>	<u>1,265,810</u>
ARRA-Tax Credit Assistance Program	14.258	M-09-ES-35-0100	-	-	12,405,880	12,405,880
Housing Trust Fund	14.275	F23-SG350100	-	2,822,584	12,266,839	15,089,423
NMAHCT Veterans Housing Rehabilitation & Modification Pilot Program	14.278	V-R1-6N-M0-0002	348,343	348,343	-	348,343
Neighborhood Stabilization Program						
Pass-through State DFA (a Community Development						
Block/Grant Neighborhood Stabilization Program)	14.228	19-NSP1-2-J-01	87,748	87,748	2,258,560	2,346,308
Recovery Housing Program Pass-Through State DFA	14.228	B-22-RH-35-0001	-	49,361	-	49,361
COVID-19 Community Development Block Grant Pass-Through State	14.228	20-CV-1002	-	12,939	-	12,939
Total Community Development Block Grants/State's Program			<u>87,748</u>	<u>150,048</u>	<u>2,258,560</u>	<u>2,408,608</u>
Total U.S. Department of Housing and Urban Development			<u>42,015,070</u>	<u>49,663,383</u>	<u>67,304,746</u>	<u>116,968,129</u>
U.S. Department of Treasury						
Capital Magnet Fund	21.011	201CM055112	-	1,432,285	3,243,354	4,675,639
COVID-19 Homeowner Assistance Fund						
Pass-through State DFA	21.026	HAF0013	-	25,267,678	-	25,267,678
COVID-19 Coronavirus Relief Fund						
Pass-through State DFA	21.019	20-CV-1000	-	-	-	-
COVID-19 Coronavirus State and Local Fiscal Recovery Fund						
Pass-through State DFA	21.027	CSLFRF-DFA-NMMFA-1	2,645,979	10,164,517	-	10,164,517
Total Department of Treasury			<u>2,645,979</u>	<u>36,864,480</u>	<u>3,243,354</u>	<u>40,107,834</u>
Department of Energy						
Weatherization Assistance for Low-Income Persons	81.042	EE0009918	1,969,441	2,176,204	-	2,176,204
Weatherization Assistance for Low-Income Persons BIL	81.042	EE0010003	3,616,835	4,243,427	-	4,243,427
Total Weatherization Assistance for Low-Income Persons			<u>5,586,276</u>	<u>6,419,631</u>	<u>-</u>	<u>6,419,631</u>
Total Department of Energy			<u>5,586,276</u>	<u>6,419,631</u>	<u>-</u>	<u>6,419,631</u>
U.S. Department of Health & Human Services						
Pass-Through from the NM Department of Human Services:						
Low Income Home Energy Assistance Program	93.568	24-630-9000-0009	1,860,845	1,897,346	-	1,897,346
Total Federal Grants			<u>52,108,170</u>	<u>94,844,840</u>	<u>70,548,100</u>	<u>165,392,940</u>
LOAN GUARANTY PROGRAMS						
U.S. Department of Housing and Urban Development:						
Mortgage Insurance - Homes (FHA)	14.117	N/A	-	-	24,062,475	24,062,475
U.S. Department of Housing and Urban Development:						
GNMA Mortgage Backed Security Program	14.000	N/A	-	183,346,663	1,611,922,752	1,795,269,415
U.S. Department of Veterans Affairs:						
Veterans Housing-Guaranteed and Insured Loans	64.114	N/A	-	-	140,080	140,080
U.S. Department of Agriculture:						
Very Low to Moderate Income Housing Loans	10.410	N/A	-	-	5,597	5,597
Section 538 Rural Rental Housing Guaranteed Loans	10.438	N/A	-	-	930,231	930,231
U.S. Department of Housing and Urban Development:						
Housing Finance Agencies Risk Sharing Programs	14.188	N/A	-	-	38,095,867	38,095,867
Total Loan Guaranty Programs			<u>-</u>	<u>183,346,663</u>	<u>1,675,157,002</u>	<u>1,858,503,665</u>
Total Federal Expenditures for Schedule of Federal Awards			<u>\$ 52,108,170</u>	<u>\$ 278,191,503</u>	<u>\$ 1,745,705,102</u>	<u>\$ 2,023,896,605</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 RELATIONSHIP TO THE AUTHORITY'S FINANCIAL STATEMENTS

Federal financial assistance program expenditures as presented in the accompanying Schedule primarily represent federal financial assistance payments disbursed by the Authority during the year ended September 30, 2023 or federally insured loans as described in Note 3.

NOTE 3 MORTGAGE INSURANCE AND GUARANTEES

Certain mortgage loans of the Authority are insured by the Federal Housing Administration (FHA) and partially guaranteed by the Veterans Administration (VA). At September 30, 2023, the Authority recorded approximately \$17,526,000 of FHA insured loans. These serviced loans are included on the accompanying Schedule.

The Authority participates in the Risk Sharing loan program, under which the Department of Housing and Urban Development (HUD) provides credit enhancements for multifamily housing project loans. HUD and the Authority share in the risk of loss on the mortgage. HUD has assumed 90% of the risk in 34 loans. HUD's assumed risk approximated \$41,262,000 at September 30, 2023. Of the 34 loans closed, the Authority funded 31 loans with outstanding principal of \$42,270,000 at September 30, 2023. HUD's assumed risk of loss of approximately \$38,043,000 related to these 31 loans is recorded in the accompanying Schedule.

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

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 3 MORTGAGE INSURANCE AND GUARANTEES (CONTINUED)

At September 30, 2023, the loan had an outstanding principal of \$1,008,000, of which the USDA assumed risk of loss of approximately \$907,000 is recorded in the accompanying Schedule.

NOTE 4 LOANS AND LOAN GUARANTEES

Loans and loan guarantees in the accompanying Schedule consist of outstanding principal loans in programs that have ongoing compliance requirements.

The following is a summary of changes in federal loan balances for the year ended September 30, 2023:

Program Title	Assistance Listing Number	September 30, 2022 Balance	Current Year Activity	September 30, 2023 Balance
HOME Investment Partnerships Program	14.239	\$ 40,373,467	\$ (816,876)	\$ 39,556,591
ARRA-Tax Credit Assistance Program	14.258	12,405,880	(183,183)	12,222,697
Neighborhood Stabilization Program	14.228	2,258,561	(41,659)	2,216,902
Mortgage Insurance - Homes (FHA)	14.117	24,062,474	(6,536,340)	17,526,134
Veterans Housing-Guaranteed and Insured Loans	64.114	140,080	(140,080)	-
Very Low to Moderate Income Housing Loans	10.410	5,597	(3,515)	2,082
Section 538 Rural Rental Housing Guaranteed Loans	10.438	930,231	(23,046)	907,185
GNMA Mortgage Backed Security Program	14.000	1,611,922,752	183,346,663	1,795,269,415
Housing Finance Agencies Risk Sharing Programs	14.188	38,095,867	(960,221)	37,135,646
Capital Magnet Fund	21.011	3,243,354	1,053,886	4,297,240
Housing Trust Fund - National	14.275	12,266,839	2,597,936	14,864,775
Total		<u>\$ 1,745,705,102</u>	<u>\$ 178,293,565</u>	<u>\$ 1,923,998,667</u>

NOTE 5 INDIRECT COSTS

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



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

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary fund of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the state of New Mexico, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2023. The report recognizes that the Authority restated beginning net position for the implementation of a new accounting standard.

Report on Internal Control Over Financial Reporting

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

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

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

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 28, 2023



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

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Mexico Mortgage Finance Authority's (the Authority), a component unit of the state of New Mexico, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2023. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Authority Members
 New Mexico Mortgage Finance Authority
 and Joseph M. Maestas, P.E.
 New Mexico State Auditor

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to New Mexico Mortgage Finance Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 28, 2023

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|------------|------------------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> _____ no |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>x</u> _____ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <u>x</u> _____ no |

Federal Awards

- | | | |
|---|------------|------------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> _____ no |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>x</u> _____ none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | _____ <u>x</u> _____ no |

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.195	Section 8 Housing Assistance Payments Program
14.117	Mortgage Insurance Program
14.275	National Housing Trust Fund
21.026	Homeowner Assistance Fund (HAF)
14.000	Ginnie Mae Mortgage-Backed Securities Program
21.011	Capital Magnet Fund
21.027	Coronavirus State and Local Fiscal Recovery Funds(CSLFRF)

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

Auditee qualified as low-risk auditee? _____ x _____ yes _____ no

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023**

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2023**

Section IV – Summary of Prior Year Audit Findings

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

**2022-001 HOME Investment Partnerships Program – Management Occupancy Reviews
(Significant Deficiency)**

Condition: During our testing, we noted the Authority did not have adequate controls designed to properly monitor its' subrecipients.

Status: Resolved.

**2022-002 ARRA Tax Credit Assistance Program (TCAP) – Management Occupancy Reviews
(Significant Deficiency)**

Condition: During our testing, we noted the Authority did not have adequate controls designed to properly monitor its' subrecipients.

Status: Resolved.

OTHER REQUIRED SCHEDULES

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
EXIT CONFERENCE
YEAR ENDED SEPTEMBER 30, 2023**

An exit conference was conducted on November 27, 2023, in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority

Derek Valdo, Vice Chairman of Board and Chairman of Finance Committee

Martina CdeBaca, proxy for Attorney General Howie Morales, Lt. Governor, Finance Committee Member

Laura M. Montoya, State Treasurer and Finance Committee Member

Arundhati Bose, Chief Financial Officer

Yvonne Segovia, Controller

Joseph McIntyre, Controller

CliftonLarsonAllen, LLP

Gaby Miller, Signing Director

Chris Gregory, Audit Manager



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MEMO

TO: MFA Board of Directors
Through: Finance Committee – January 9, 2024
Through: Policy Committee – January 2, 2024
FROM: Julie Halbig
DATE: January 17, 2024
SUBJECT: MFA Policy and Procedure Manual and Delegations of Authority – Potential Revisions

Recommendation: Staff recommends approval of proposed changes to the Policies and Procedures Manual for purposes of conducting MFA's business.

Background: At least annually and as needed, MFA staff reviews and updates the Policies and Procedures Manual. The Policies and Procedures Manual is revised as needed for changes related to compliance, audit findings, clarifications and changes in general practices or policies. Below is a summary of the changes that the Board approved throughout this past year until the next annual review occurred.

At the MFA Board meeting on May 17, 2023, the following changes were approved:

- Updated authorized signature changes were made under the Finance section of the Policies and Procedures Manual for purposes of conducting MFA's business.
- Instead of maintaining the list of MFA's Programs and Down Payment Assistance Loan program offerings in the Policies and Procedures Manual, that list will now be maintained on MFA's website.
- A reference to MFA's Executive Liability Coverage was added to various definitions in the Manual.

At the MFA Board meeting on September 20, 2023, additional changes were approved and added in Section 1 – General Policies 1.2 Code of Conduct. Those changes included:

- D.1.a. Add language clarifying that Members, Management, Employees and Funding Committee Members are required to disclose any Financial Interest they believe or have reason to believe may be affected by their Official Action or Act. This change was made to align language with NM Financial Disclosure Act. D.1.c. Add term Official Act.
- D.2.a. Added language to align policy with Disclosure Statement. Disclosure Statements require disclosure of the Business in which the Member, Management, Employee or Family Member has a Financial Interest.
- D.2.c. Added language to align policy with Disclosure Statement and with changes to subsection D.1.a. Disclosure Statements require disclosure of Financial Interest that

Member, Management or Employee believes or has reason to believe may be affected by their Official Act or actions.

- D.4. Add reference to conflict-of-interest provision of MFA Act, Section 58-18-28 NMSA 1978. Add language clarifying that any Member, Management, or Employee that has a Financial Interest in any Business engaging in or proposing to engage in a Transaction with MFA disclose that interest in Board meeting minutes. Revise language to mirror Section 58-18- 28 NMSA 1978.
- D.6 Revise language to provide that General Counsel shall report existing or anticipated conflicts of interest indicated in any Member Disclosure Statement to the Board instead of to the Policy Committee.
- D.7. Add language requiring MFA to post the Initial, Annual and Updated Disclosures of Members and Management on MFA's website.

Discussion: The following is a summary of substantive changes to be incorporated into the manual for consideration: The redlined document is included for your review.

Page(s) # (redline)	Section	Proposed Changes
Throughout the document		<ul style="list-style-type: none"> • Update the title of Compliance Officer to Director of Compliance and Initiatives.
Page 5	Section 1 – General Policies 1.2 Code of Conduct C. Definitions	<ul style="list-style-type: none"> • Delete “Executive Director/CEO” from definition of Chief Officers.
Page 8	Section 1 – General Policies 1.2 Code of Conduct D. Principles and Disclosure Obligations 2. Initial and Annual Disclosures	<ul style="list-style-type: none"> • Add “Executive Director/CEO” to persons who must file and complete the Disclosure Statement form as required by the Secretary of State’s Office.
Page 9	Section 1 – General Policies 1.2 Code of Conduct D. Principles and Disclosure Obligations 7. Disclosures to be Posted on Website.	<ul style="list-style-type: none"> • Delete “Management” which would include all of the Chief Officers and the Director of Human Resources and insert “Executive Director/CEO”.
Page 9	Section 1 – General Policies 1.2 Code of Conduct	<ul style="list-style-type: none"> • Add clarifying language that “regardless of the value” no Member, Management or MFA

	E. Gift	<p>employee may, directly or indirectly, solicit or accept any money or other thing of value that is conditioned upon or given in exchange for performing or promising to perform an Official Act.</p> <ul style="list-style-type: none"> Align language with the New Mexico Gift Act for the dollar amount of \$250 as the limit for which any Member, Management or MFA Employee may knowingly accept a gift. Insert language from the New Mexico Gift Act clarifying that gifts motivated by a family relationship or a close personal relationship are allowed under the MFA Policies & Procedures Manual.
Page 11	<p>Section 1 – General Policies</p> <p>1.2 Code of Conduct</p> <p>I – Effective Date</p>	<ul style="list-style-type: none"> Updates Effective Date to reflect Board approval, if the Board approves at the January 17, 2024, meeting.
Page 15	<p>Section 1 – General Policies</p> <p>1.3 Conduct of Business</p> <p>E. Investment Policies – General Fund</p> <p>3. Delegation of Authority (d) and (e)</p>	<ul style="list-style-type: none"> Adds language to stipulate who makes up the Investment Committee as well as their duties and responsibilities. Adds language stating that Members may attend the Investment Committee meetings but no more than three Members may attend at any one meeting. Further clarifies that the contracted Investment Advisor should participate and support the Investment Committee as requested.
Page 16	<p>Section 1 – General Policies</p> <p>1.3 Conduct of Business</p> <p>E. Investment Policies- General Fund</p> <p>5. Ethics</p>	<ul style="list-style-type: none"> Add “Members” to the list of persons who must adhere to the Code of Conduct. Delete the word “consultants” and add the word “advisors” and clarify that they are subject to Third Party Code of Conduct, as

		applicable.
Page 24	Section 1 – General Policies 1.3 Conduct of Business F. General Fund Cash Reserves 7. Conclusions b. 4.	<ul style="list-style-type: none"> Per the updated cash reserves policy, delete “or \$2,500,000, whichever is higher” language.
Page 27	Section 1 – General Policies 1.3 Conduct of Business G. Bond Issuance and Debt Management Policy 3 (i) General Debt Administration	<ul style="list-style-type: none"> Delete outdated language and insert updated language for sale of Mortgage Backed Securities (MBS) transactions and when they will be sold per MFA’s contract with its single family program administrative services provider versus when it will go out to bid.
Page 30	Section 1 – General Policies 1.3 Conduct of Business H. To Be Announced (TBA) Program Policy 2. Process TBA Administrator (4)	<ul style="list-style-type: none"> Insert a sentence stating that the “The Chief Financial Officer (CFO) approves the rates in consultation with the Chief Lending Officer and the Director of Secondary Market”.
Page 39	Section 1 – General Policies 1.3 Conduct of Business N. Consumer Complaints – Financial Products and Services 2. General Guidelines	<ul style="list-style-type: none"> Add language to the list of where MFA may receive complaints to include MFA’s social media accounts so that it is clear that guidelines and processes to review, resolve and respond include the complaints through social media.
Page 59	Section 3 Procurement Policies C. Procedures 11. d. Protest Procedure for RFPs	<ul style="list-style-type: none"> Delete “Board” before Committees. Insert “as outlined or specified in the RFP” to account for instances when a protest may be handled by Policy Committee.
Page 80	Delegations of Authority Line 22	<ul style="list-style-type: none"> Delete the word “Recurring.” Add language clarifying that the this will apply to both Notice of Funding Availability (NOFAs) and Request for Proposals (RFPs). Deletes “Selection of Vendors”.

Page 80 & 81	Delegations of Authority Line 23 and accompanying footnote *(15)	<ul style="list-style-type: none"> • Add “Selection of Service Providers”. • Delete “Modifications” and Insert “Notifications for RFPs”. • Clarify that the Board approves all RFPs involving NMHTFs, delete “Staff Action” under Board approval column. • Delete “Individual Project Awards and” – there is no definition of project awards so this created confusion. • Delete Footnote *(15) since this explanation is no longer needed.
Page 80 & 81	Delegations of Authority Insert NEW Line 24	<ul style="list-style-type: none"> • Add language “NMHTF Selection of Service Providers and Programmatic Award Notifications for NOFAs”. • Add Footnote *(17) referring to what is included in Monthly Dashboard report to the MFA Board of Directors.

Summary: At least annually and as needed, MFA staff reviews and updates the Policies and Procedures Manual. The Policies and Procedures Manual is revised as needed for changes related to compliance, audit findings, clarifications and changes in general practices or policies.

MFA Policies and Procedures

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MFA MISSION, VISION AND CORE VALUES

MFA Mandate

In 1975, the New Mexico state legislature created the New Mexico Mortgage Finance Authority (MFA) as a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

MFA Vision

All New Mexicans will have quality affordable housing opportunities.

MFA Mission

MFA is New Mexico's leader in affordable housing. We provide innovative products, education, and services to strengthen families and communities.

MFA Core Values

- Responsive: To meet New Mexico's needs, MFA optimizes resources, cultivates partnerships, and makes our programs accessible.
- Professional: MFA upholds personal and professional standards. We comply with regulations and ensure prudent financial stewardship.
- Dynamic: MFA is a dynamic place to work. Our employees are our strength. We embrace diversity and provide opportunities for personal and professional growth.

SECTION 1 - GENERAL POLICIES

1.1 Policies & Procedures Manual - Purpose

- A. With respect to Board Members, Management and Employees¹ and the conduct of MFA business, the policies & procedures shall be set forth in this manual, adopted by the Board and consistent with MFA's approved Bylaws. The Board shall approve the manual at least annually, and any changes shall have Board approval, specific to the section affected. All Board Members shall be provided with a current, complete Policies & Procedures Manual.
- B. Although this manual sets forth MFA's policies and procedures, the Board retains its authority established by law, as restricted by law and MFA's bylaws. In the event that the Board takes a lawful action that is inconsistent with the policies set forth in this manual, the provisions of this manual will nonetheless remain in place until they have been amended by the Board.

1.2 MFA Code of Conduct

A. Preamble

MFA, an instrumentality of the state government, exists to serve the citizens of the state of New Mexico. In order to maintain the respect, trust and confidence of the public, all Members, Management and Employees must use the powers and resources of their office only to advance the public interest and not to obtain personal benefits or pursue private interest's incompatible with the public interest. Members, Management and Employees shall conduct themselves in a manner that justifies the confidence placed in them by the public, at all times maintaining their integrity and discharging ethically their responsibilities in the course of their association with MFA.

B. Purpose

The purpose of this Code of Conduct is to provide general guidelines and a minimum standard of conduct for Members, Management and Employees of MFA and to implement the conflict of interest provisions of the MFA Act (Section 58-18-25, NMSA 1978) for Members, Management, and Employees, as well as for members of MFA's Funding Committees.

C. Definitions

For purpose of this Code of Conduct, the following words and phrases shall have the following meanings:

"Business" means a corporation, partnership, limited partnership, limited liability company, proprietorship, trust, firm, organization, or any other entity or association of individuals or entities.

"Chief Officers" means the ~~Executive Director/CEO~~, Chief Financial Officer, Chief Lending Officer, Chief Housing Officer. Chief Officers are considered insured executives per MFA's

¹ Member, Management and Employee are defined in sub-section C of MFA's Code of Conduct, which is Section 1.2 of this Manual. These terms are used throughout this Manual.

Executive Liability Policy coverage.

"Confidential Information" means information a Member, Management or Employee has obtained or may obtain by virtue of his/her status as a Member, Management or Employee, including but not limited to, confidential work product of MFA as well as personally identifiable information (PII) as defined in Section 1.3.J of this manual; any personnel records about any former or current MFA employee; any personal information about any Member, contractor, or sub-grantee, including financial information.

"Contracted Services/Credit Committee" means the standing Board Committee responsible for maintaining the effective management and oversight of MFA's contractual, lending, federal/state program sub-recipient selection, and program oversight functions ensuring compliance with applicable laws, risk assessment systems and policies and procedures.

"Disclosure Statement" means the disclosure statement required by subsection D of this Code of Conduct.

"Employee" means any person employed by MFA and does not include independent contractors of MFA.

"Employment" means rendering services for compensation as an employee.

"Family Member" means with respect to each Member, Management, Employee, and Funding Committee member, the Member's, Management's, Employee's, or Funding Committee member's spouse, domestic partner, children, grandchildren, parents, siblings, grandparents, mother-in-law, father-in-law, sister-in-law, brother-in-law, uncle, aunt, first cousin, or anyone residing in a Member's, Management's, Employee's, or Funding Committee member's household.

"Finance Committee" means the standing Board committee charged with maintaining the prudent and effective management and oversight of MFA's overall financial position and operations; and financial reporting processes and audits; ensuring compliance with applicable laws, risk assessment systems and policies and procedures.

"Financial Interest(s)" means an interest in a Business as an owner, partner, shareholder, investor, trustee, beneficiary, lender, officer, director, member, employee, or consultant.

"Funding Committee" means a committee comprised of community members active in the fields of housing, banking, business, or social programs, and created to advise MFA staff on and in certain cases to select for MFA Board approval, recipients of funding awards from the Housing Trust Fund, the Land Title Trust Fund, the Low Income Housing Tax Credit Program, or other funding sources administered by MFA.

"Member" means a member, and with respect to an ex-officio Member, his or her proxy, of the Board of Directors of MFA. A Member is considered an insured executive per MFA's Executive Liability Policy coverage.

"Management" means the Executive Director/CEO, Chief Financial Officer, Chief Lending Officer, Chief Housing Officer, and Human Resources Director employed by MFA. Management is considered an insured executive per MFA's Executive Liability Policy coverage.

"Official Act" means any action taken by a Member, Management, Employee, or Funding

Committee member that is within her/his capacity to take by virtue of his/her position and which constitutes a decision, resolution, determination, recommendation, approval, disapproval, or other action that involves the exercise of discretionary authority.

"Policy Committee" means the Executive Director/CEO, Chief Financial Officer, Chief Lending Officer, and Chief Housing Officer employed by MFA.

"Secondary Market Facility" means a corporation, trust or other form of legal entity established by the authority for the purpose of the purchase, with private or public funds legally available therefor, of mortgage loans, mortgage-backed obligations, pass-through securities or interests therein.

"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 involving any MFA program or business.

D. Principles and Disclosure Obligations

1. **Principles.** All MFA Members, Management, Employees and Funding Committee members shall adhere to the following principles:
 - a) Any Financial Interest held by any Member, Management, Employee or Funding Committee member of MFA that they believe or have reason to believe may be affected by their Official Act or actions shall disclose the nature and extent of that Financial Interest no matter the degree of the Financial Interest.
 - b) No Member, Management, Employee or Funding Committee member should participate in any Official Act that would in any way benefit him or her or any Family Member of him or her.
 - c) If any Member, Management, Employee or Funding Committee member of MFA is aware of having any form of Financial Interest in any MFA business, and is aware that an Act or action he/she may take in their official capacity might impact that Financial Interest, that person must disclose the Financial Interest to MFA and must not become involved in any Official Act or action affecting that Financial Interest.
2. **Initial and Annual Disclosures.** Within thirty (30) days of assuming duties as a Member or commencing Employment with MFA, each new Member, Management and Employee will be required to complete a Disclosure Statement, in the form of attached Exhibit A, which shall disclose to the best of his/her knowledge, his/her and/or his/her Family Members' Financial Interest(s) in any Business engaged in, or proposing to engage in, any Transaction with MFA or that the Member, Management or Employee believes or has reason to believe may be affected by their Official Act or actions. On or before January 31 of each year, each MFA Member, Management and Employee shall complete and deliver to MFA a disclosure statement disclosing to the best of his/her knowledge, his/her and his/her Family Members' Financial Interest(s) in any Business engaged or proposing to engage in any Transaction with MFA or that the Member, Management or Employee believes or has reason to believe may be affected by their Official Act or actions. The disclosure statement for each Member, Management and Employees shall be in the form of Exhibit A ("Disclosure Statement"). The Disclosure Statement shall contain at least the following information:

- a) The Business in which the Member, Management, Employee or Family Member has a Financial Interest.
- b) The name of the Business engaging in, or proposing to engage in, a Transaction with MFA;
- c) The Financial Interest that the Member, Management or Employee believes or has reason to believe may be affected by their Official Act or actions.
- d) If the Transaction is with a Business in which an Employee or Employee's Family Member has a Financial Interest, the approximate value of the Transaction.
- e) A list of all MFA programs or proposed programs that a Member, Management, Employee or Family Member is likely to participate in and/or benefit from.

In addition to the Disclosure Statement, Members (which term for the purposes of this sentence excludes the proxy of an ex-officio Member) and the Executive Director/CEO shall complete the form, required by the New Mexico Secretary of State pursuant to the New Mexico Financial Disclosure Act, NMSA 1978 §10-16A-1 to 10-16A-8 ("Financial Disclosure Act Disclosure"). The Financial Disclosure Act disclosure shall be completed at the times required under the Financial Disclosure Act, including but not limited to within thirty (30) days of appointment and during the month of January every year thereafter.

3. **Updated Disclosures.** Each Member, Management and Employee shall update his/her Disclosure Statement within forty-five (45) days of the date that, to the best of his/her knowledge:

- a) He/she acquires a Financial Interest in any Business engaging in, or proposing to engage in, a Transaction with MFA;
- b) He/she learns that a Family Member has, or has acquired, a Financial Interest in a Business which is engaging in, or proposing to engage in, a Transaction with MFA; or
- c) He/she learns that a Business, in which he/she or any Family Member has a Financial Interest, is engaging in, or proposing to engage in, a Transaction with MFA.

4. **Disclosure in the Minutes.** In addition to written disclosure as provided herein, and pursuant to Section 58-18-25 NMSA 1978, whenever any Member, Management or Employee of MFA has a Financial Interest in any Business engaging in or proposing to engage in a Transaction with MFA, or, either direct or indirect, in any contract to which MFA or any secondary market facility is, or is to be, a party or in any mortgage lender requesting a loan from or offering to sell mortgage loans to MFA, secondary market facility, or in any sponsor requesting a project mortgage loan, the interest shall be disclosed and set forth in the Board minutes. The Member, Management or Employee shall not participate in any action by MFA or any secondary market facility with respect to the contract, mortgage lender, sponsor, or Transaction.

5. **Special Disclosures.**

- a) **Funding Committees.** Upon the commencement of a funding round, each member of MFA's Allocation Review Committee of the Low Income Housing Tax Credit (LIHTC) Program, Housing Trust Fund and Land Title Trust Fund Advisory Committees, and all other MFA Funding Committees, shall disclose, upon receipt of the list of applicants to the funding round, his/her and any Family Member's Financial Interest in any entity named on the list of applicants to that funding round. The disclosure statement shall be in the form of Exhibit B ("Funding Committee Disclosure Statement").
- b) **Project-Specific Multifamily Bonds.** Prior to the issuance of a project-specific multifamily housing bond, each MFA Member, Management, and Employee shall disclose any Financial Interest he/she or any Family Member has in any entity proposing to engage in the bond transaction with MFA. The disclosure statement shall be in the form of Exhibit C ("Multifamily Bond Disclosure Statement").

Special Disclosures will be distributed and collected by MFA's Housing Development Department.

- 6. **Disclosure Process.** Completed Management and Employee Annual and Updated Disclosure Statements are to be provided to MFA's Human Resources Director who shall review them in conjunction with General Counsel to determine the existence or potential existence of a conflict of interest on the part of any MFA Management or Employee with regard to any MFA Transaction or anticipated Transaction. It shall be the responsibility of the Human Resources Director to inform the Policy Committee of any existing or anticipated conflicts of interest indicated in any Disclosure Statement form. Completed Member Annual and Updated Disclosure Statements shall be provided to the Executive Director/CEO who shall review them in conjunction with General Counsel to determine the existence or potential existence of a conflict of interest on the part of any Member. It shall be the responsibility of General Counsel to inform the Board of any existing or anticipated conflicts of interest indicated in any Member Disclosure Statement form. If approval of the Board is required for any Transaction under sub-section F of this policy, and MFA's General Counsel is aware of Board Member's Financial Interest in a Business engaging in or proposing to engage in a Transaction with MFA, it shall be the responsibility of MFA's General Counsel to disclose the Transaction to the Board and to request the required approval. In addition, as required by applicable federal regulation, MFA's General Counsel shall notify the federal awarding agency in writing of any potential conflicts of interest related to federal programs in accordance with federal awarding agency policy. It shall be the responsibility of the federal program manager, in consultation with MFA's General Counsel, to provide notice to the Board of these federal program conflicts of interest through the staff actions reporting process.
- 7. **Disclosures to be Posted on Website.** The Initial, Annual and Updated Disclosures of Members and Executive Director/CEO Management shall be posted on MFA's website.

E. Gifts

No Member, Management or Employee may, directly or indirectly, solicit or accept any money or other thing of value, regardless of the value, that is conditioned upon or given in exchange for performing or promising to perform an Official Act, which may influence the manner in which he/she performs an Official Act, or which may create the appearance that it influenced him/her in the performance of an Official Act. No Member, Management or Employee shall

knowingly accept a gift of a market value greater than two hundred and fifty dollars (\$250). Any gift given under circumstances that make it clear that the gift is motivated by a family relationship or a close personal relationship rather than the recipient's position as a Member, Management or Employee of MFA is allowed.

F. Conflict of Interest Transactions

1. Prohibited Transactions - Members, Management and Employees

- a) **Official Act.** No Member, Management or Employee shall take any Official Act which may directly or indirectly benefit his/her or a Family Member's position or Financial Interests.
 - b) **Confidential Information.** No Member, Management or Employee shall utilize Confidential Information to benefit himself/herself or a Family Member. Members, Management and Employees shall safeguard all information that is of a confidential or proprietary nature, and shall not disclose such information, except as otherwise authorized. A Confidentiality Agreement in the form of Exhibit D shall be signed by all Management and Employees annually and kept on file.
 - c) **Member, Management and Employee Transactions.** No Business in which a Member, Management or Employee (or a Family Member) has a Financial Interest shall engage in a Transaction with MFA unless the Member, Management or Employee has disclosed his/her or his/her Family Member's Financial Interest in the Business to MFA in the manner provided in sub-section D of this policy prior to engaging in the Transaction and, with respect to all Transactions of Members and Management, and Employee Transactions in excess of \$10,000, the Transaction is approved by a disinterested majority of MFA Members. Transactions of Employees of \$10,000 or less may be approved by the Executive Director provided a disclosure of such Transactions is made to MFA Board and is recorded in the minutes of the meeting in which it is made.
2. **Transactions Involving Former Members or Management.** MFA shall not enter into any Transaction with a former Member or former Management for a period of one (1) year after the Member or Management ceases to be a Member or Management of MFA, except with prior approval of a disinterested majority of all MFA Members.
 3. **Other Employment.** Members, Management and Employees shall not engage in or accept employment or render services for other persons when that employment or service is incompatible with or may affect the discharge of their official duties or when that employment may tend to impair their independence of judgment or action in the performance of their official duties. The Executive Director/CEO must approve all outside employment by an Employee prior to his/her accepting outside employment. Employees who are engaged in outside employment at the time they are first hired by MFA and who wish to continue that outside employment must have the outside employment approved by the Executive Director/CEO prior to starting work at MFA. MFA Board must approve all outside employment by the Executive Director/CEO prior to his/her accepting outside employment.
 4. **Exceptions.** Nothing in this Code of Conduct shall be deemed or construed to limit the right of any Member, Management or Employee of MFA to:
 - a) Acquire or purchase any interest in bonds or notes of MFA;

- b) Have a Financial Interest in, or do business with, any banking institution in which MFA funds are or are to be deposited or which is or is to be acting as trustee or paying agent under any trust indenture to which MFA is a party; or
- c) Accept employment with MFA.

G. Political Activities

1. A Member, Management or Employee shall not, through his or her position at MFA:
 - a) Directly or indirectly coerce, command, advise, solicit, or attempt to coerce, command, advise or solicit anyone to pay, lend or contribute money or other thing(s) of value to a party, committee, organization, agency, or person for political purposes; or
 - b) Use MFA funds, resources, or time to support or oppose any political candidate for any public office, provided, however, that Members, Management, and Employees may use MFA funds, resources, and time to pursue legislative purposes as approved by the Board and MFA Legislative Oversight Committee from time to time.
2. Management and Employees shall not, through their position at MFA, while on duty, or using MFA funds or resources:
 - a) Campaign or engage in political activity in concert with a political party, a candidate for partisan political office, or a partisan political group, provided that this policy is not intended to limit Management or Employees from actively participating in political activities or partisan political campaigns, while off duty, and provided that no MFA funds or resources are utilized.

H. Sanctions and Penalties

Violation of any part of this Code of Conduct by any Management or Employee may subject the violator to disciplinary action up to and including termination of employment and to such other penalties as may be provided by law.

I. Effective Date

This Code of Conduct is effective as amended herein as of January 17, 2024. ~~March 17, 2021~~.

1.3 Conduct of Business

A. Meetings

MFA shall call and provide notice of meetings in accordance with the Open Meetings Act and MFA's Open Meetings Resolution. MFA's Open Meetings Resolution will be approved by the Board at least annually.

B. Management and Preservation of Official Records of the Board of Directors

~~1.~~ **Purpose and Scope.** This policy represents the policy of MFA with respect to the management and preservation of the official records of the Board of Directors. The purpose

of the policy is to favor the preservation of digital records over analog records, to provide a framework for digitization projects, to reduce paper records for cost-and space-effective storage, to provide better access to information, to ensure the longevity of the Board's records, to ensure that digitized records are authentic, complete, and accessible prior to the destruction of physical copies, and to allow for electronic signatures on Board Minutes, Resolutions and any other documents requiring Board signature consistent with MFA's Electronic Signature Policy.

2.1. Definitions.

For purposes of this policy, the following terms have the following meanings:

"Accessible" means the digital reproduction must be available, searchable, and readable to all those with the right access.

"Authentic" means the digital reproduction must be the product of a documented and authorized process;

"Complete" means an accurate, legible reproduction of the original that contains all intellectual and physical components of the original without alterations to content;

"Digitization" is the process of converting any physical or analogue item, such as a paper record, photograph or graphic items, into an electronic representation or image that can be accessed and stored electronically;

"Electronic Record" means a record, created, generated, sent, communicated, received, or stored by electronic means; and

"Official Records" means the Bylaws, Minutes of the proceedings of the Board and its Committees, Resolutions, Agendas, Board meeting materials, and any other record that is regularly maintained as an official record of the Board of Directors.

3.2. Digitization Procedures. The Executive Director/CEO in consultation with the Senior Director of Information Technology shall establish procedures to digitize official records, that are, to the extent practicable, consistent with NMAC 1.13.3, and that shall ensure:

- a) all digitized electronic records are accessible, authentic, and complete prior to the destruction of physical copies;
- b) the integrity of the original records is maintained;
- c) the process for digitizing records is reliable and secure;
- d) technical requirements and quality control standards are adopted and adhered to;
- e) an index system is created with metadata that provides secure, on-time, and convenient access and retrieval of digitized records;
- f) guidelines for handling digitized official records are developed and implemented;

- g) only appropriate authorized personnel have access to official records;
- h) backup and recovery plans are implemented;
- i) security measures are implemented to minimize the risk of unauthorized alteration or erasure of electronic records; and
- j) periodic audit controls are implemented;

4.3. Electronic Signatures. Subject to any limitations in MFA's Electronic Signature Policy, electronic signatures may be used on the official records of the MFA Board of Directors.

5.4. Electronic Documents and Document Integrity. Digitized copies of official records shall be maintained just as hard copy or paper documents are, in accordance with the MFA's document retention schedule.

6.5. Microphotography / Digitization Plan. This policy is intended to incorporate the recommendations of Section 14-3-17 NMSA 1978 and 1.14.2 NMAC and to authorize the adoption of a microphotography plan for official records as defined thereunder.

C. Written Reports

Reports will be provided to the Board as requested. The following reports will be provided to the Board Members at regular board meetings and will be provided in advance of the meeting, when possible:

1. Combined financial statements are to be provided monthly and
2. Investment reports, credit line activity, and production status reports are to be provided quarterly.

D. Finances

1. Authorized Check Signatures. The signature of (i) the Chair or the Vice Chair and (ii) the Treasurer (or other Board Member(s) designated by the Chair) shall be required on any checks.
2. Authorized Electronic Funds Transfer (EFT) Signatures. The single signature of the Chief Officer(s) or Controller shall be required on any EFT. Two signatures of any of the Chief Officers(s) or Controller(s) shall be required on disbursements over \$5,000. The single signature of the Chief Officer(s) or Controller(s) shall be required on EFTs between MFA-owned accounts regardless of the dollar amount.
3. Check or EFT Requests, Approval. A request for a disbursement from the General Fund, Housing Programs, Servicing, or other bank accounts by means of a check or an EFT must be approved as follows:
 - a) The request for a disbursement from the General Fund, Housing Programs, Servicing, or other bank accounts must be approved by Management or by staff designated by

Management.

- b) The person requesting the disbursement shall not approve the request for disbursement.
- c) The person transmitting the EFT transaction cannot approve the request for disbursement.
- d) The person approving the request for disbursement shall not be the sole signer of the check. Exceptions: 1) if dual signatures are required, one signature may be that of the person approving the request for disbursement; 2) if an EFT is between MFA owned accounts, the signer of the EFT may be the person approving the request for disbursement.

E. Investment Policies-General Fund

1. **Scope.** This policy is to be followed when investing the General Fund cash assets of MFA. Optimal investment of these assets supports the legislative intent for MFA to provide affordable housing for low and moderate income New Mexicans. Assets purchased by MFA to meet its legislative mandates are not to be considered investments for the purpose of this policy.
2. **Objectives.** All funds will be invested in a manner that is in conformance with the MFA Act, federal, state, and other legal requirements. In addition, the objectives, in order of priority, of the investment activities will be as follows:
 - a) **Legality.** The investment portfolio will be invested in a manner that meets state statutes and all legal requirements of MFA.
 - b) **Safety.** Safety of principal is the primary objective of MFA. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To obtain this objective, funds will be diversified, utilizing highly rated securities, by investment among a variety of securities.
 - c) **Liquidity.** The investment portfolio will remain liquid to enable MFA to meet all cash requirements that might reasonably be anticipated. Therefore, the investments shall be managed to maintain a balance to meet daily obligations.
 - d) **Return on Investment.** The investment portfolio will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the portfolio and specified fund.
3. **Delegation of Authority**
 - a) **Committee.** The Finance Committee is designated responsibility by the Board to carry out the investment policy.
 - b) **Finance Committee Responsibilities.** The Finance Committee will be charged with the following:
 - 1) Establish and update, not less than annually, the investment policy for the full Board's approval.
 - 2) Monitor the investment activities to ensure that proper controls are in place to guarantee the integrity and security of the portfolio.

- 3) Monitor compliance with applicable statutes, regulations, and other legal authorities, including the MFA Act.
- 4) Review all investment transactions made by MFA staff.
- 5) Meet to deliberate on such topics as: economic outlook, portfolio diversification, maturity structure, potential risks, and the rates of return on the investment portfolio.
- 6) Recommend depositories, custodians, and broker/dealers for Board approval.

c) **Duties and Responsibilities of Management and Employees.** Responsibilities will be as follows:

- 1) The ultimate responsibility for conducting the investment program within set policy guidelines resides with the Executive Director/CEO. The day-to-day investment decisions and activities are assigned to and will be the responsibility of staff designated by the Executive Director/CEO.
- 2) Staff is charged with the following in accordance with the approved investment policy:
 - i. Day-to-day management of MFA investments;
 - ii. Executing investment transactions, including but not limited to purchases and sales of securities;
 - iii. Making recommendations to the Finance Committee; and
 - iv. Presentation to the Finance Committee comprehensive quarterly written reports designed to keep Members fully apprised of all investment decisions and current status of the investment program.

d) **Investment Committee. An Investment Committee comprised of the Executive Director/CEO, the Chief Financial Officer, Finance Manager and the Controller shall meet monthly to:**

- i. **Review the investment portfolio, monthly reports, and portfolio performance;**
- ii. **Deliberate on such topics as: economic outlook, portfolio diversification, maturity structure, potential risks, and the rates of return on the investment portfolio, asset allocation, and investment policy changes.**

Members may attend monthly meetings of the Investment Committee but no more than three (3) Members can be in attendance at each meeting.

d)e) **Investment Advisor.** MFA will engage the services of an investment advisor to review the investment policy and portfolio periodically to assist with management and oversight in a manner that is consistent with MFA's objectives and policies **and participate on and support the Investment Committee as requested.**

e)f) **Meetings.** The Finance Committee will meet at least quarterly to carry out its responsibilities listed above and to review staff-prepared reports. Special meetings of the Finance Committee may be called at any time by any voting Member. A majority vote of the Finance Committee is required to approve recommendations. Committee actions and votes of the meetings will be recorded and maintained as permanent documentation of the Finance Committee's actions and will be part of the Board packet for the next regular meeting of the MFA Board.

4. **Prudence.** All investments made will be in accordance with the "prudent person" rule:

"Investments shall be made with judgment and care under circumstances then prevailing,

which persons of prudence, discretion and intelligence exercise in the management of their own affairs not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” Notwithstanding and in addition to the limitation of liability found in Section 58-18-21 of the MFA Act, the staff and the Board while acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control any possible adverse developments. The MFA Code of Conduct, including provisions regarding conflicts of interest and disclosure, is applicable to all investment decisions, recommendations, and transactions.

5. **Ethics.** Members, Management, Employees, and investment advisors consultants involved in the investment process shall adhere to standards of the MFA Code of Conduct and/or the Third Party Code of Conduct, as applicable.
6. **Monitoring and Adjusting the Portfolio.** As a general practice, securities will be purchased with the intent to hold until maturity. However, it is acceptable for securities to be sold under the following circumstances:
 - a) A security with a declining credit may be sold early to protect the principal value of the portfolio.
 - b) A security exchange that would improve the quality, yield, and target maturity of the portfolio based on market conditions.
 - c) A sale of a security to provide for unforeseen liquidity needs.
 - d) The State Investment Council funds allocation can be adjusted to either re-align to diversification targets or to adjust allocations to current market conditions.

Rebalancing of the portfolio will occur as needed.

7. **Internal Controls.** The Executive Director/CEO or designated staff is responsible for establishing and maintaining an internal control structure designed to ensure that MFA's assets are protected from loss, theft, or misuse. Specifics for the internal controls shall be documented in department procedures manuals and shall be reviewed and updated periodically by the Executive Director/CEO or designated staff. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by Management. The internal controls shall address the following points at a minimum:
 - a) Control of collusion;
 - b) Separation of transaction authority from accounting and recordkeeping;
 - c) Custodial safekeeping;
 - d) Avoidance of physical delivery of securities;
 - e) Clear delegation of authority to subordinate staff members; Written confirmation of

transactions for investments and wire transfers; and

- f) Dual authorizations of wire transfers over \$5,000.
8. **Permitted Investments.** The MFA investment policy will be diversified to the extent permitted in the MFA Act, and Sections 6-8-7 and 6-10-10.1, NMSA 1978. Specifically, General Fund investments may be made as follows:
- a) In obligations of any municipality of New Mexico or the state of New Mexico or the United States of America, rated "AA" as defined by Standard & Poor's or equivalent, or better;
 - b) In obligations, the principal and interest of which are guaranteed by the state of New Mexico or the United States of America;
 - c) In obligations of any corporation wholly owned by the United States of America;
 - d) In obligations of any corporation sponsored by the United States of America which are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System;
 - e) In certificates of deposit or time deposits in banks qualified to do business in New Mexico, secured in such manner, if any, as the authority shall determine;
 - f) In contracts for the purchase and sale of obligations of the type specified in Paragraph a) of this sub-section;
 - g) In the State of New Mexico Office of the Treasurer Local Government Investment Pool; or
 - h) In the State of New Mexico State Investment Council Investment Funds Program (fund(s) to be determined according to asset allocation strategy).
9. **Diversification of Risk and Asset Allocation.** Diversification and asset allocation strategies for the General Fund investments shall be formally determined at least annually and revised periodically, if applicable, by the Finance Committee. The responsibility for implementation of such strategies will be with staff.
- a) **Definitions:**
 - 1) Short Term Investments: Funds held for ongoing operations and cash flow needs of MFA. These funds will primarily be held in the State Local Government Investment Pool, bank deposits and warehoused securities that have maturities less than one year.
 - 2) Intermediate Term Investments: Investment funds that are in excess of liquidity needs held in operating accounts. These funds must be held in marketable securities that can be sold if needed to provide for liquidity. The investments in this portion of the portfolio will have maturities from 1 to 10 years and will be only invested in higher quality and liquid (marketable) securities.
 - 3) Long Term Investments: Investment funds needed for long-term reserves. These funds may be invested in long-term bond and equity funds managed by the State Investment Council with maturities exceeding 10 years. These funds will have credit risk and interest rate risk exposure and it is expected that these funds will earn higher rates of return over interest rate cycles but will have greater price volatility

within specified horizon periods.

b) Asset Allocation Strategy

ASSET CLASS	TARGET (DOLLARS as a PERCENT of TOTAL PORTFOLIO)	RANGE (DOLLARS as a PERCENT of TOTAL PORTFOLIO)
SHORT-TERM INVESTMENTS (Less than 1 year)	20%	15% - 25%
Local Government Investment Pool	6%	1% - 11%
Cash Held in Depositories/ Warehoused Securities	14%	9% - 19%
INTERMEDIATE-TERM INVESTMENTS (1 to 10 years)	40%	35% - 45%
Bond Ladder (in permitted securities)	27%	22% - 32%
MFA Mortgage Backed Securities	13%	8% - 18%
LONG-TERM INVESTMENTS (More than 10 years)	40%	35% to 45%
Fixed Income:	16%	11%-21%
1) Core Plus Bond Active (State Investment Council)	12%	7% - 17%
2) MFA Mortgage Backed Securities	4%	0% – 9%
Equity (State Investment Council):	24%	19%-29%
1) Equity Domestic Large Cap Index Fund	11%	6% - 16%
2) Small/Mid Cap Index	5%	0%-10%
3) Non-US Developed Markets	6%	1%-11%
4) Non-US Emerging Markets	2%	0%-7%

- c) In establishing specific diversification strategies after consideration of liquidity and specific time period cash needs, the following three guidelines shall apply:
- 1) Portfolio maturities will be staggered to avoid undue concentrations of assets in a specific maturity sector.
 - 2) Maturities selected shall provide for stable income and adequate liquidity to meet MFA's operational and cash flow needs.
 - 3) Portfolio positions will be diversified among various securities/funds to avoid

overweighing in any one type of security.

- d) **MFA staff will demonstrate prudence in the selection of investments to minimize risk.**
No individual investment transaction shall be undertaken that will jeopardize the total capital position of the overall portfolio. The Finance Committee and MFA staff, together with any investment advisor(s) selected by MFA, will continuously analyze the risk/reward relationships existing in the marketplace and act accordingly when selecting investments. The following three specific guidelines will be strictly observed in order to further minimize risks:
 - 1) All certificates of deposit, or time deposits will be placed with qualified financial institutions; (See Qualified Financial Institutions below)
 - 2) All transactions will be executed on a delivery versus payment basis; and
 - 3) The best bid or offer will be sought for all of MFA's purchases and sales of securities.
10. **Authorized Financial Dealers.** When selecting depositories, securities broker/dealers and advisors, consideration will be given to minimizing risk, protecting investment capital, and obtaining the best purchase or sale price. The following guidelines will be used in selecting depositories and securities broker/dealers:
- a) **Depositories.** In selecting financial institutions for the deposit of MFA-directed funds, the staff will consider the creditworthiness of the institutions as per the most recent Collateral Review Report prepared by the State Treasurer's Office in conjunction with their collateral and risk assessment evaluation policy. Funds held on behalf of HUD programs must be deposited with a financial institution controlled and insured by the Federal Deposit Insurance Corporation that has a rating consistent at all times with current minimally acceptable ratings as established by the Government National Mortgage Association (GNMA). The rating will be monitored quarterly, and institutions changed when necessary.
 - b) **Securities Broker/Dealers.** Staff shall prepare and the Board, upon the recommendation of the Finance Committee, shall approve a list of approved broker/dealers, including New Mexico securities broker/dealers, based on the criteria listed below.
 - 1) This approved Broker/Dealers list will be reviewed by the Board at least annually. Competitive bids from the broker/dealers will be obtained by MFA staff on all purchases and sales of securities. All securities will be purchased and sold consistent with what the current marketplace dictates at the time of the purchase or sale and according to the prudent person rule.
 - 2) Criteria for Selection of Broker/Dealers for purchase and sale of government bonds, agency obligations and other authorized investments:
 - i. The firm(s) must be a registered dealer pursuant to the Securities Act of New Mexico, Section 58-13C-401 thru 406, NMSA 1978.
 - ii. The firm(s) must be registered as a dealer under the Securities Exchange Act of 1934.
 - iii. The firm(s) must be a member of the Financial Industry Regulatory Authority (FINRA).
 - iv. The firm(s) and assigned broker(s) must have been engaged in the business of effecting transactions in United States Government Bonds for at least five (5) consecutive years.
 - v. The firm(s) must certify that they have read the MFA investment policy and will abide by MFA's Third-Party Code of Conduct.

- c) Investment Advisors/Bidding Agents. These firms must be registered with the Securities and Exchange Commission and meet the requirements of the New Mexico Uniform Securities Act, Section 58-13C-401 thru 406, NMSA 1978. The advisory contract may be for oversight services or investment management services including transactions. If the advisor is to transact with broker/dealers on behalf of MFA, the advisor must annually submit a broker/dealer list for approval. The adviser may only provide non-discretionary management services, which requires prior authorization from MFA on all transactions.

11. Bid Procedures for Transactions of Securities

- a) All transactions by MFA shall be awarded on a competitive bid basis.
- b) A minimum of three documented bids shall be requested and received by MFA on each sale or purchase. The best bid received shall be awarded the transaction.
- c) Bids received and dealer awards shall be maintained on forms available for review by the Finance Committee.
- d) New Issue offerings in the primary market may be purchased from approved broker/dealers without competitive solicitation if it is determined that no agency obligations meeting MFA's requirements are available in the secondary market at a higher yield.

12. Reporting Requirements. The individual assigned by the Executive Director/CEO will present semi-annually to the Finance Committee and Board and prepare a written report at least quarterly on the overall status of the fund. This report will include at least:

- a) Yield to maturity or time weighted rates of return as applicable;
- b) Rating(s) of investment(s) if any;
- c) Market value of the investments;
- d) Analysis of asset allocation;
- e) Analysis of the portfolio's performance as measured against the funds stated objective, the CPI, and/or relevant indexes;
- f) Dollar value of the fund, net of non-investment cash contributions and distributions;
- g) If a manager has been retained, a measure of his/her performance relative to the appropriate manager universe.

F. General Fund Cash Reserves

1. **Background.** MFA is a financial intermediary created in 1975 by and for the State of New Mexico to provide financing for affordable housing. MFA has issued multiple series of tax-exempt and taxable mortgage revenue bonds for this purpose. In addition, it has taken on the administration of various federal and state housing programs and has implemented several programs using its own excess earnings. These programs have helped finance the acquisition and construction of single family and multifamily housing for many thousands of New Mexicans. MFA expects to continue to issue bonds and administer its single family and

multifamily housing programs to produce housing throughout the state.

2. **Ongoing Bond Issue Responsibilities.** The bonds issued by MFA are tax exempt and taxable and have maturities extending up to 40 years from issuance. In each case a trustee has primary responsibility for collecting monies for distribution to bondholders. For the life of the bonds, MFA has the following responsibilities with respect to the bonds:

a) **Finance, Accounting and Servicing Activities**

- 1) Accounting for program transactions.
- 2) Investment of acquisition and float fund proceeds.
- 3) Assuring that trustees, program administrators, servicers, and other contractors are performing under their contract.
- 4) Assuring redemption priorities are followed and executed.
- 5) Reviewing annual program cash flows for sufficiency.
- 6) Maintaining bond rating to the extent possible.
- 7) Providing technical assistance to trustees, program administrators, servicers, and other participants.
- 8) Compiling annual bond disclosure reports and financial statements regarding bond performance.
- 9) Reporting of significant disclosure events as necessary.
- 10) Arbitrage rebate filings and payments as required to the IRS.
- 11) Responding to audits by the IRS and MFA's External and Internal Auditors.
- 12) Maintaining compliance with all bond closing documents.
- 13) Handling defaults and repossessed properties.

b) **Single Family Program Activities**

- 1) Assuring that master servicers, sub-servicers, participating lenders, program administrators and other contractors are performing under their contracts.
- 2) Assuring that the requirements for the tax exemption of the bonds are met.
- 3) Responding to audits for grantor agencies, IRS, and MFA's External and Internal auditors.
- 4) Providing technical assistance to participating lenders, servicers, program administrators, and borrowers.
- 5) Compiling reports regarding program performance.
- 6) Completing assumptions of loans by new borrowers.

c) **Multifamily Program Activities**

- 1) Assuring that borrowers, servicers, compliance monitors and other contractors are performing under their contracts.
- 2) Responding to audits for grantor agencies, IRS, and MFA's External and Internal auditors.
- 3) Assuring that projects are in compliance with low-income set-asides and other regulations to ensure that the requirements for the tax exemption of the bonds are met.
- 4) Providing technical assistance to borrowers, servicers, program administrators, compliance monitors and borrowers.
- 5) Compiling reports regarding program performance.
- 6) Handling defaults and troubled projects.
- 7) Completing assumptions and transfers of ownership.
- 8) Loan servicing on certain multifamily transactions.

d) **Services to Bondholders, Buyers and Sellers**

As long as MFA has outstanding bonds, MFA will need staff available to respond to inquiries, comply with all bond closing documents including reporting requirements of indentures and answer requests for financial information from the institutions and individuals that own MFA's bonds and from any organization that has rated the bonds.

1. The ability to maintain a market for the initial sale and, as importantly, the secondary market resale of MFA's bonds requires timely and responsive financial and programmatic reporting to the owners, buyers and sellers of the taxable and tax-exempt bonds as well as maintaining a rating on the bonds. To ignore this requirement would be extremely harmful to the long-term viability of MFA's bonds in the marketplace.
 2. These responsibilities are handled by professional staff including Homeownership (single family programs), Housing Development (multifamily programs), Finance and Accounting Departments with staff in these areas trained to understand the flow of funds and tax law related to the various programs of MFA. If no additional bonds are issued, these responsibilities with respect to MFA's bonds will continue up to 40 years or until all the bonds are paid off.
3. **Other Program Responsibilities.** The Low Income Housing Tax Credit program and the federal HOME and National Housing Trust Fund "NHTF" Programs and other programs require the following commitments during the life of the credits/loans:
- a) **Low Income Housing Tax Credit Program**
 - 1) Monitoring the projects, utilizing the credits to be sure they are complying with the low income set-aside and other program requirements at a minimum of every three years.
 - 2) Responding to audits for grantor agencies, IRS, and MFA's External and Internal auditors.
 - 3) Monitoring changes in ownership of the projects receiving credits during the low income set-aside period.
 - 4) Additional monitoring as might be required by the IRS or the State.
 - b) **HOME/NHTF and other programs**
 - 1) Monitoring projects as required by HUD and other grantor agencies.
 - 2) Responding to audits by grantor agencies, IRS, and MFA's External and Internal auditors.
 - 3) Assuring that projects are in compliance with low income set-aside requirements, program affordability and other requirements.
4. **Ongoing Administrative Responsibilities.** In order to be available to the public, fulfill its obligations as outlined above, hold meetings, respond to inquiries, prepare required reports, and perform other administrative duties, MFA needs staff and office space which in turn imposes certain administrative responsibilities. These functions include:
- a) Compliance with MFA procedures regarding bank accounts, hiring, purchasing of supplies and services, leasing of office space, contracting, and monitoring contractors.
 - b) Complying with Government National Mortgage Association (GNMA) capital and liquidity requirements. Conducting public hearings as required.
 - c) Responding to legislative inquiries regarding outstanding programs and bond issues.

- d) Meeting legislative mandates related to affordable housing including but not limited to compliance with the Affordable Housing Act and oversight of Regional Housing Authorities.
 - e) Complying with program reporting requirements.
5. **General Fund (Housing Opportunity Fund) Programs.** The need for low and moderate income housing in New Mexico has increased since MFA was formed. During the same period, the programs of the federal government to deal with the problems of inadequate housing have not increased commensurately. MFA, in conjunction with the state, has assumed and is likely to continue to assume a larger role in providing housing financing. Furthermore, the needs of very low income families and special groups, such as the developmentally disabled or mentally ill are increasingly the focus of MFA attention, often through the vehicle of locally controlled not-for-profit corporations.

All these factors have led MFA to invest staff and consultant time in the development of programs to provide housing in cooperation with not-for-profit corporations and other federal, tribal, state, and local agencies. These are more difficult and expensive programs to develop and operate than the traditional bond programs of MFA. Therefore, MFA needs greater reserves to continue to develop, fund and implement Housing Opportunity Fund targeted programs.

6. **Reserve Implications.** The continuing monitoring and oversight responsibilities for existing and future programs, the growing costs of developing and implementing new programs, and the inevitable administrative burden of overseeing these growing MFA responsibilities have significant implications for MFA's reserve policies. Since MFA does not receive state funds for operations, it must marshal its resources and carefully anticipate its financial needs for the short and long term to maintain its financial strength. It must do so in an environment of uncertain future revenues and the changing state of tax-driven federal housing programs. Considering this, MFA must estimate its future expenses and income under different scenarios and set aside adequate reserves to permit it to meet its responsibilities to bondholders, the legislature, the federal government, and the public. Therefore, MFA has undertaken the development of a reserve policy to best meet these responsibilities through prudent management of its general operating and program reserves.
7. **Conclusions.** Based on the foregoing, MFA concludes as follows:
- a) MFA shall maintain sufficient general operating reserves for purposes of this policy to:
 - 1) Ensure ongoing administrative and accounting functions;
 - 2) Ensure ongoing program monitoring;
 - 3) Provide legal representation and protection against claims;
 - 4) As an issuer of GNMA securities, maintain mandated capital and liquidity requirements;
 - 5) Provide for the development of new programs to meet the state's housing needs; and
 - 6) Maintain financial strength.
 - b) To meet cash² reserves requirements for commitments and program continuation, MFA shall maintain the following:
 - 1) One year of the two-year historical average of the total operating expense;
 - 2) One year of the two-year historical average of Housing Opportunity Fund loan

² For purposes of this Policy, General Fund cash is defined as cash in banks and the State Treasurer's Office Local Government Investment Pool, and (highly liquid) investments in Treasury and Agency securities, certificates of deposit, investment in MFA mortgaged backed securities and the State Investment Council's Investment Funds Program.

fundings;

- 3) One year of the two-year historical average of capital servicing investment; and
- 4) 1.0 % of the GNMA mortgage-backed security portfolio ~~or \$2,500,000, whichever is higher.~~

- c) This reserve policy shall be reviewed and approved by the Board periodically at the Board's discretion.

G. Bond Issuance and Debt Management Policy

The purpose of this bond issuance and debt management policy is to: 1) establish principles that govern the issuance of MFA debt for the conduct of its operations, and 2) outline the process and parameters used to finance MFA's loan production programs and its capital needs through the issuance of debt.

1. **Principles.** MFA issues debt to fund loans in two areas of production -- single family and multifamily loans. Less frequently, debt is issued to fund specific long-term capital needs such as building improvements or to preserve private activity bond cap. The debt issuance covered by this policy may involve new money, refunding of existing debt, or both.

MFA will establish short and long-range financial objectives that support affordable housing needs. These objectives may change in response to economic and other factors. Any proposed financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs while minimizing MFA's risks and the complexity of the bond structure.

MFA will manage the bond program in accordance with the closing bond documents.

MFA discloses information to investors and the municipal security market at the time of issuance and periodically while its bonds are outstanding. Disclosure must be made in compliance with the applicable federal and state securities laws.

2. **Authorization.** Bonds are to be issued in accordance with the parameters of this Policy, unless otherwise approved by the Board in advance. All bond issuances are subject to authorization by the MFA Board on a per transaction basis unless otherwise authorized.

The Board will approve resolutions to provide authorization to the Executive Director/CEO and/or other MFA officers to incur indebtedness including issuing and selling tax-exempt and taxable bonds for single family program funding, multifamily project funding, refunding bonds of existing debt, volume cap preservation and long-term capital needs. The Board authorizes the Executive Director/CEO and/or other MFA officers to establish the form and substance of indentures pursuant to which the bonds are issued and approve all other necessary documentation and agreements. Specific Board approval shall be required for the adoption of a new master indenture.

3. **Process.**

- a) **Financing Team.** The bond structures are developed utilizing the expertise of MFA's Financing Team which consists of finance professionals, internal and external. The team will include MFA's Finance, Homeownership (single family), Secondary Marketing and Housing Development (multifamily) Departments as needed as well as financial advisors, and bond counsel. MFA Staff, Consultants and industry experts will be utilized as

needed, including but not limited to investment bankers (bankers), bond trustees, sub-servicers and MFA's To Be Announced Program Administrator. Other third-party participation by non-MFA bankers, placement agents, underwriter counsels, cash flow verification agents, credit enhancement providers, etc. will be evaluated on a case-by-case basis and are subject to the approval of the Executive Director/CEO or Chief Financial Officer. Minimum requirements for approval for third party non- MFA bankers, placement agents, and cash flow verification agents include (1) listing in The Bond Buyer's Municipal Market Place most recent edition of the "Red Book", (2) five years documented experience doing similar transactions, (3) adequate capital to underwrite the bond issue if applicable, and (4) registration with the Municipal Securities Rulemaking Board (MSRB) as an underwriter or financial advisor. Minimum requirements for approval of non-MFA underwriter counsels include: (1) at least five years of documented experience doing similar transactions and (2) listing in the Bond Buyer's Municipal Market Place most recent edition of the "Red Book". S&P Global (S&P), Moody's Investors Service (Moody's) and/or another independent, nationally recognized bond rating service provider may be used to rate each bond transaction. The complexity of the bond structure determines the necessary involvement of all parties.

MFA bond trustees, sub-servicers, banking team members, financial advisors and legal counsels will be selected in accordance with MFA's Procurement Policy. The single family program Financing Team or a subset thereof will meet at least quarterly to discuss special topics as needed, as well as funding executions, including the TBA program (See section H of this manual). The group will also hold an annual planning meeting.

- b) **Procedures.** When capital is needed for program funding or debt management purposes, the Financing Team will review the financing alternatives in accordance with this policy and recommend an approach best suited to the current set of circumstances. That includes evaluating the immediate needs (capital or refunding), market conditions, and proposed bond structure. MFA staff will decide how to proceed from among the Financing Team's recommended approaches. The Chief Financial Officer, in consultation with the Executive Director/CEO, will have the primary responsibility for final pricing determinations. The gross spread and net economic benefit will be finalized after conclusion of the order period.

All bond transaction documents related to an issuance are reviewed by Financing Team members.

In conjunction with Bond Counsel, MFA Finance Department staff will ensure that all IRS requirements related to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) are followed for both the single family program and multifamily projects. These required hearings give the public a reasonable opportunity to express their views on the issuance of bonds and the nature of the improvements and projects for which bond funds will be allocated.

MFA staff will work collaboratively with the New Mexico State Board of Finance (SBOF) in requesting private activity bond cap to support the single family program and multifamily projects. Staff will provide an annual report to the SBOF on the status of housing programs in New Mexico, as well as request annual private activity bond cap allocations based on anticipated production needs. Staff will also ensure that all IRS filing requirements and SBOF reporting/approvals for the private activity bond cap utilized by MFA are met.

- c) **Credit Enhancements.** MFA will utilize credit enhancement (MBS structure, bond

insurance, FHA insurance, bank letters of credit, etc.) to enhance marketability and pricing of the related debt where it is structurally necessary or economically advantageous.

- d) **Bond Proceeds Investments.** All bond proceeds are to be invested in a manner acceptable to rating agency requirements and in accordance with the respective indenture, MFA policies and state and federal regulations.
- e) **Internal Controls.** The Financing Team will review appropriate documentation and cash flows during the structuring process to ensure financial integrity of the bond issues. Third party cash flow verification may be requested on multifamily transactions when the developer uses an underwriter or placement agent outside MFA Financing Team (not selected through MFA's procurement process) depending on the structure of the transaction. In addition, the Financing Team will also review market conditions and comparative bond sales prior to bond pricing.
- f) **Disclosure.** All publicly sold bond issues will be disclosed to the market through the publication of a Preliminary Official Statement prepared by underwriter's counsel and in accordance with the MSRB and industry standards. Subsequent to the sale of bonds, underwriter's counsel will prepare the final Official Statement. For a Private Placement of bonds, a Private Placement Memorandum will be prepared, or if a Private Placement Memorandum is not required by the bond purchasers, a summary term sheet may be completed that is in a form satisfactory to MFA staff. In addition, for single family mortgage bond issues, MFA will enter into a Continuing Disclosure Agreement (CDA) for the benefit of the holders and beneficial owners of the bonds in order to assist the underwriter(s) in complying with SEC Rule 15c2-12(b)(5). MFA is responsible for overseeing the compilation and review of all related disclosure documents to ensure completeness and accuracy. For multifamily housing bond issues, the conduit borrower will enter into a Continuing Disclosure Agreement for the benefit of the holders and beneficial owners of the bonds in order to assist the underwriter(s) in complying with SEC Rule 15c2-12(b)(5).

MFA will ensure that disclosure in connection with outstanding debt is compliant with its contractual obligations in the CDA and that all necessary information is published on the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA).

The annual filing required by Treasury Regulation Section 1.103A-2(k)(2)(ii) containing information on the borrowers of the original proceeds of all Single Family Program will be submitted by MFA as required.

- g) **Investor Communications Inquiries.** All Investor inquiries should be routed to the Chief Financial Officer or his/her designee. MFA will maintain an Investor Resources section under the Programs and Partners section on its website whereby the annual financial statements, bond disclosures and official statements will be maintained.

Previously undisclosed information should not be disclosed to one investor unless that information is disclosed simultaneously to all possible investors via a press release or posting on EMMA. Investors should be referred to the MFA website or EMMA whenever possible to obtain information as it is addressed in those public forums.

- h) **Tax Compliance.** MFA will implement procedures outlined in the Tax Compliance Procedures document developed by Bond Counsel to ensure compliance with the requirements for tax exempt bonds under the Internal Revenue Code. These procedures include monitoring and managing use and investment of bond proceeds, private activity bond cap, cost of issuance, calculation of arbitrage rebate, filing of tax form 8038 and document retention.
- i) **General Debt Administration.** Management of the overall single family bond portfolio and related Mortgage Backed Securities (MBS) is an ongoing process. The administration of the overall program is accomplished through monitoring of the capital market and interest rate environment, evaluation of MBS quarterly prepayment speeds, calculation of individual Single Family Program indenture parity, and review of annual bond cash flow projections. MFA will evaluate and utilize financing and debt management techniques designed to achieve its goals of minimizing debt service expense and maximizing program profitability while ensuring affordable housing opportunities. Callable bond programs are reviewed at least annually to determine if earnings could be maximized by eliminating the debt and using the assets to generate more income, or as subsidy to upcoming bond issues allowing more competitive mortgage rates.

~~In conjunction with Single Family Program continuous lending, the management of the loan pipeline and demand levels for certain loan products may require staff to sell MBS into the secondary market instead of selling them into a bond issue. The use of this execution may be necessary in order to maintain required yields and loan allocations within an established bond structure if pipeline loans cannot be funded through bonds due to adverse market conditions or if private activity volume cap is limited. Current market conditions would be evaluated by staff in conjunction with MFA's financial advisor to ensure that the transaction would provide the best execution for MFA. Staff, along with MFA's financial advisor, will request bids from brokers on the MFA Approved Broker/Dealer List and other potential bidders as recommended by MFA's financial advisor in order to obtain at least three bids. All MBS sale transactions will be awarded on a bid basis and MFA will sell the securities to the highest bidder. All bids will be appropriately documented. Sales of MBS in conjunction with MFA's new production will be sold in accordance with the terms and conditions of MFA's existing contract with its single family program administrative services provider. All other MBS sale transactions (seasoned MBS or any new MBS not sold to the single family program administrative services provider) will be awarded on a bid basis and MFA will sell the securities to the highest bidder. All bids will be appropriately documented.~~

4. Bond Parameters/Financial Objectives

The following describes the constraints for MFA's bond structures.

- a) All publicly placed debt must be rated at the time of issuance by S&P, Moody's and/or another independent, nationally recognized bond rating service. No publicly offered debt is to be issued unless it is rated at least A-/A3 by S&P and/or Moody's respectively, and/or rated in at least the third highest rating category by another independent, nationally recognized bond rating service. No rating is required for private placement multifamily housing bonds if the investor can provide a "qualified institutional buyer letter" or an "accredited investor" letter. Qualified institutional buyer and accredited investor will have such meanings as provided in Rule 144A and Rule 501, respectively, which rules are under the Securities Act of 1933, as amended.

- b) Profitability Measure: MFA will always strive to achieve a full-spread transaction for single family transactions (mortgage yield 1.125% above the bond yield). However, extreme market conditions may require MFA to accept a lower spread in order to subsidize the mortgage rate to the borrowers. MFA administrative fees will be set in a way that allows MFA to remain financially healthy and preserves resources for the future. For multifamily projects/transactions, fees will be established such that the yield on the program investment may exceed the bond yield up to 1.5%.
 - c) Occasionally, bond refunding opportunities will be available to MFA which will allow MFA to call bonds early. MFA will review each refunding to assess the benefit of doing the refunding or not depending on the scenario or need.
 - d) The aggregate principal amount of new money bonds to be issued shall not exceed the amount necessary to support loan funding needs, volume cap preservation or long-term capital needs.
 - e) The aggregate principal amount of refunding bonds shall not be constrained, but at a minimum must meet the profitability measure outlined above. In addition, MFA will review each refunding to assess the benefit to MFA of undertaking the refunding.
 - f) Maximum maturity on single family debt will not exceed 35 years and for multifamily debt will not exceed 45 years.
 - g) The amount of long-term capital needs debt outstanding shall not exceed 1% of MFA's total outstanding bonds.
 - h) The bonds shall be structured using either a current or forward delivery mechanism, to the extent allowed by market conditions.
 - i) Variable rate multifamily project bonds must carry a credit enhancement provided by either Freddie Mac, Fannie Mae or another entity specifically approved by the Board to guaranty the payment of principal and interest on the bonds from the date of issuance until final maturity of the bonds. If a letter of credit is used to provide credit enhancement during the project's construction period, the letter of credit provider must be rated at least AA/Aa by S&P and/or Moody's, respectively. MFA will not undertake the issuance of variable rate single family bonds (except for Draw Down Facility bonds to preserve single-family volume cap) or variable rate long-term capital needs bonds. Variable rate multifamily projects must also include a fixed rate hedge mechanism unless otherwise not required by the bond credit enhancer.
 - j) The conduit borrower in multifamily transactions will be responsible for retaining and compensating a rebate analyst to compute any rebate liability related to a multifamily project. The conduit borrower will covenant in the bond documents to do this and to timely provide copies of any rebate calculations from the rebate analyst to the bond trustee and MFA and to timely remit any rebate payment to the bond trustee for payment to the IRS.
5. **Reporting to the Board.** MFA staff will provide a summary report to the Board regarding single family and multifamily debt issued at the Board meeting subsequent to the closing of a bond transaction. The report will contain: 1) ratings achieved, 2) the dollar amount and description of the loans financed or expected to be financed, 3) the principal amount of the

debt issued, 4) a breakdown of taxable and tax-exempt bonds 5) yield spread, 6) administrative fee, 7) refunding information and related subsidy if applicable, 8) cost of issuance, and 9) other information as appropriate.

At least annually the financial advisor will be required to present an overall bond program and market update to MFA's Board.

H. To Be Announced (TBA) Program Policy

The purpose of this TBA Program Policy is to establish principles that govern the interest rate pricing and pipeline hedging of a forward committed mortgage loan that is securitized into a Mortgage Backed Security (MBS) and sold into the Secondary Market. The objective of TBA Program is to provide a source of funding other than Mortgage Revenue Bonds (MRB) for the single family mortgage program. In addition, a TBA program may provide a source of funding for new or existing single family mortgage programs that are not eligible to be funded with MRB proceeds.

1. **Principles.** As an alternative and complement to MFA's MRB financing of single family mortgage loans, MFA has developed a funding mechanism that incorporates a forward commitment of mortgage loans in which the interest rates on the loans are set daily. A TBA Program could be used to finance purchase money loans as well as refinance transactions.

Due to the complex nature, specific expertise required and risks inherent in hedging a mortgage pipeline to be sold through a TBA contract, MFA is outsourcing this function through a TBA Administrator. Advantages to this type of execution include transfer of the interest rate risk and financial losses related to non-delivery of loans, as well as the ability to offer competitive interest rates to lenders since they are tied to current yields in the MBS market. The TBA process will also allow for the generation of funds for down payment assistance (DPA).

Pursuant to this policy, the Board will provide authority to Staff (section 2, (b) (Financing Team)), through the approval of the policy, to create and sell forward committed MBS for the purpose of funding the single family mortgage program. MFA will take into consideration a desired profit margin, lender compensation and the generation of DPA when determining the interest rate that will be offered to participating lenders while also carefully managing the loan pipeline to be sold into the Secondary Market through a TBA execution. To accomplish this MFA will establish short and long-range financial objectives that support an affordable housing plan (See section 3: TBA Parameters & Financial Objectives). These objectives may change in response to economic and other factors.

Risk will be managed and mitigated through careful monitoring of the mortgage pipeline, including cancellation/fallout percentages, loan closing, loan delivery, loan purchase and pooling timeframes as well as the movement of market interest rates.

Single family program loan funding decisions will be reviewed on an ongoing basis by the Financing Team to determine the best method of accessing the financial markets, either through issuance of debt or sale of MBS. The primary objective is to keep readily accessible funding for the single family program without incurring losses or subsidizing the program.

2. Process

a) TBA Administrator

- 1) MFA TBA Administrator will be selected in accordance with MFA's Procurement Policy.
- 2) The TBA Administrator must be financially viable and experienced in providing TBA pricing, hedging and pipeline management services. The TBA Administrator will be required to submit annual audited financial statements to MFA for each year that they are under contract with MFA. The TBA Administrator will not be allowed to subcontract any portion of the TBA administration services provided to MFA.
- 3) The TBA Administrator will be responsible for providing MFA with daily interest rate sheets that provide, at least, the following information;
 - i. Specific interest rate lock expiration and extension guidelines
 - ii. Fees related to interest rate lock extensions
 - iii. Gross interest rates, servicing fees and net interest rates
 - iv. Listing of any fees built into the interest rates
 - v. Pricing for each loan delivered via MBS on the specified delivery date
- 4) The TBA Administrator will be responsible for providing MFA with notification for any intra-day interest rate pricing changes and a specific time the changes are effective. The Chief Financial Officer (CFO) will approve the rates in consultation with the Chief Lending Officer and the Director of Secondary Market.
- 5) The TBA Administrator will be responsible for providing information to the sub-servicer regarding the pooling of mortgage loans into MBS that provides the most advantageous pricing benefit for MFA. In addition, the TBA Administrator will deliver the MBS for sale to an investor on behalf of MFA and will deliver to MFA the difference between the par amount of the security and the price the security was sold for. Delivery of the MBS for sale on the secondary market will be made at intervals specified by the TBA Administrator.

b) Financing Team and Staff Responsibilities

- 1) In conjunction with developing bond issuance strategies, the Financing Team discussed in section G of this manual will also evaluate and monitor TBA program activities. The Financing Team in conjunction with MFA's Policy Committee will establish a profitability threshold, which will include compensation for participating lenders, sufficient DPA funding to support the transaction and a specified profit for MFA to support the operation of the program. The pricing threshold will be applied to the daily interest rates provided by the TBA Administrator, which will determine the interest rate that will be provided each day to participating lenders for reservation.
- 2) The Financing Team will meet at least annually to ensure that strategies, plans, and guidelines are consistent with policy and are implemented and updated as necessary.
- 3) The Finance Department, in accordance with the established profitability threshold, is responsible for analyzing the daily rate sheet from MFA's TBA Administrator providing market mortgage rate comparisons. Changes to daily rates will be approved by either the Secondary Market Department or the Home Ownership Department.
- 4) The Secondary Marketing Department confirms the daily pricing of TBA loan sales, reconciles monthly settlements and confirms cancellations. Secondary Marketing also ensures timely delivery and pooling of loans as well as performs reconciliation of subservicer invoices related to TBA settlements.
- 5) The Homeownership Department will be responsible for posting daily MFA mortgage rates, confirming extensions and expirations with the TBA Administrator, and tracking pipeline fallout.

- c) **Subservicer.** MFA's subservicer will work in conjunction with MFA staff and the TBA Administrator to purchase (Homeownership Department) and pool loans (Secondary Marketing) as quickly as possible and in a manner most advantageous to MFA. The subservicer will be responsible for the following:
 - 1) Provide-daily updates to the TBA Administrator regarding the purchase of closed loans from Participating Lender(s). The TBA Administrator receives daily reports from MFA's core system regarding the status of loans from reservation through purchase as well as cancellations. The subservicer provides the TBA Administrator and Secondary Marketing information on purchased loans that are ready to be pooled and securitized.
 - 2) Coordinate the sale of the MBS and if needed, servicing transfer with the TBA Administrator and the Finance Department.
- 3. **TBA Parameters & Financial Objectives.** The following describes the constraints for MFA's TBA program.
 - a) **Profitability Measure.** MFA will always strive to achieve a reasonable profit margin on the TBA pricing model. However, extreme market conditions may require MFA to accept a lower profit in order to subsidize the mortgage rate to the borrowers. MFA loan pricing will be set in a way that allows MFA to remain financially healthy and preserve resources for the future.
 - b) **Participating Lender Compensation.** MFA will price each loan in such a way as to provide sufficient compensation to the Participating Lender for originating the loan and to incent future participation in the program.
 - c) **Generation of Down Payment Assistance.** If TBA is used to generate down payment assistance then MFA will price each mortgage loan in such away as to generate sufficient down payment assistance to support the transaction and to provide funding that will support future down payment assistance funding.
- 4. **Reporting to the Board.** MFA staff will provide monthly TBA production and profitability information to the Board. At least annually the TBA Administrator will be required to present an update on the program to MFA Board of Directors.

I. Fraud, Waste and Abuse and/or Unethical or Illegal Practices

All MFA Members, Management, Employees, contractors, sub-contractors, grantees, sub-recipients, and business associates must maintain the highest ethical standards in conducting company business. It is MFA's intent that all Members, Management, Employees, contractors, sub-contractors, grantees, sub-recipients and business associates will conduct business with honesty and integrity and comply with all applicable laws and regulations in a manner that excludes considerations of personal advantage or personal gain, and not seek or accept for themselves any gifts, favors, entertainment, or payments, without a legitimate business purpose.

All MFA Members, Management, Employees, contractors, sub-contractors, grantees, sub-recipients, and business associates should avoid any situation that involves or may involve a conflict between their personal interests and the interests of MFA.

- 1. **Third Party Complaints.** MFA is responsible for reporting any indication of fraud, waste, abuse, or potentially criminal activity pertaining to any federal or state funds received in any form by MFA and/or provided by MFA to any contractors, sub-contractors, grantees, sub-recipients, and business associates. Any MFA Member, Management, or Employee who acquires information or receives a complaint of suspected fraud, waste, abuse or potentially criminal activity by any contractor, sub-contractor, grantee, sub-recipient, or business

associate of MFA in regard to federal or state funds provided and/or administered by MFA, shall promptly report the information to MFA's General Counsel. Upon receipt of such information, MFA's General Counsel shall, after appropriate notice and involvement of the Policy Committee, promptly notify the appropriate Inspector General or responsible State Official.

Reported activities will be investigated by MFA, which may include a third-party investigative services provider if deemed necessary. Upon completion of the investigation MFA will take appropriate action should the reported activities be substantiated and determined to be fraudulent, unethical, illegal or in violation of MFA's Code of Conduct or Third-Party Code of Conduct.

2. **Internal Complaints.** It is the responsibility of all Employees to report suspected fraud, unethical, or illegal activities or activities which violate MFA's Code of Conduct, as committed by any MFA Member, Management, or Employee. All reports are anonymous unless the individual making the report chooses otherwise. To ensure anonymity and encourage compliance with best practices MFA has contracted with a third-party service provider to receive reports of fraud, waste, and abuse, and/or unethical or illegal activities. Individuals may report such activities anonymously by:

Calling toll free: (877) 778-5463, 24 hours a day, 7 days a week

Username: nmmfa

Password: housing

E-mailing: www.reportit.net

Username: nmmfa

Password: housing

All reported activities received through the Report It hotline/website, by written or verbal communication or via telephone are directed to the Human Resources Director who will coordinate review with General Counsel. All reported activities will be treated the same and will be promptly investigated by MFA, which may include a third-party investigative services provider if deemed necessary. Upon completion of the investigation MFA will take appropriate action, including the involvement of Policy Committee and the Board, as necessary, should the reported activities be substantiated and determined to be fraudulent, unethical, illegal or in violation of MFA's Code of Conduct.

MFA will not enter into a professional services contract for a special audit, performance audit or attestation engagement regarding the financial affairs and transactions of MFA and relating to financial fraud, waste, or abuse in government without the prior written approval of the NM State Auditor. Such engagement will be conducted in accordance with 2.2.2 NMAC and the State Audit Rule Section 2.2.2.15. This requirement is only for MFA-related internal investigations, not sub-recipient investigations.

If the individual making the report chooses not to remain anonymous, he/she will be made aware of the outcome of the investigation. All individuals who make reports will be protected from discharge, demotion, discrimination, or other type of retaliation. Allegations of retaliation may be reported to (877) 778-5463 or at www.reportit.net. Reports of retaliation also will be promptly investigated by MFA, which may include engagement of a third-party investigative services provider if deemed necessary. Upon completion of the investigation MFA will take appropriate action if the reported retaliation is substantiated.

Complete information on how to report fraud, waste & abuse and unethical or illegal activities can be found on Report It flyers posted within MFA's premises and on MFA's website at www.housingnm.org.

Reports of fraud, waste and abuse received by MFA staff shall be brought to the attention of the Board of Directors at the discretion of the Executive Director/CEO, who shall consider the severity, accuracy, and verifiability of the allegations of any report when making this determination.

J. Protection of Personally Identifiable Information (PII) and Other Sensitive or Proprietary Information

1. Information Requiring Protection.

During employment, Employees may acquire knowledge of materials, procedures, and Information of a confidential nature. Much of the confidential information that is contained in MFA files, and/ or that enters MFA either electronically or physically in the course of business, is PII sensitive information including personal financial information that may be subject to protection from disclosure, or is considered proprietary information owned by MFA, all of which must be kept confidential and protected from disclosure to persons, including MFA Employees, contractors and agents, not authorized to access the information in order to conduct MFA business.

PII is defined as:

- a) information that directly identifies an individual (e.g., first and last name or first initial and last name); in combination with
 - b) one or more data elements that identifies an individual, such as information used by an agency in conjunction with other data elements (which may include address, telephone number, email address, social security number or other identifying number or code, gender, race, birth date, geographic indicator, and other descriptors); or
 - c) information permitting the physical or online contacting of a specific individual
2. **Protective Measures.** PII, sensitive or proprietary information shall be made available only to those MFA Employees who require and are authorized access to that information in order to perform the business of MFA. No persons other than authorized MFA Employees shall be permitted access to any Confidential Information in the possession of MFA. PII, sensitive or proprietary information that enters MFA, either electronically or physically, shall be received in a manner that minimizes the risk of exposure of the information to unauthorized persons. PII, sensitive or proprietary information retained by MFA, in physical files or electronically, shall be utilized and maintained in a manner that minimizes the risk of exposure to or access by unauthorized persons.

Employees shall take particular care with fax machines, copiers, information left on desktops, computers and other electronic devices, paper, and electronic files/storage, shredding bins, recycling bins and keys to file drawers, office doors and storage areas.

3. **Department Procedures.** Each MFA Department Director/Manager is responsible for developing detailed procedures regarding the protection of PII, sensitive or proprietary information as it relates to their function, including obtaining and retaining on file written certification from every partner and subcontractor with whom MFA shares PII, sensitive or

proprietary information that the partner or subcontractor has a policy in place to protect that information.

K. Media Contact

Calls from reporters or other media representatives will be directed to the Director of Communications and Marketing or other individual(s) designated by the Executive Director/CEO. All MFA media contact will be initiated and/or conducted by the Director of Communications and Marketing or other individual designated by the Executive Director/CEO.

L. Service of Process

Service of any summonses, complaints, petitions, subpoenas, or any other legal papers for any MFA-related legal matter, excluding single family foreclosures and employee matters, including those MFA-related cases for which MFA staff members are the target of legal notice, shall be directed to and served upon MFA's General Counsel to the attention of the lead attorney on the General Counsel team. MFA's General Counsel is authorized to accept service of these documents on MFA's behalf.

M. Suspension and Debarment

1. **Basis for Debarment.** MFA may deem any individual or entity to be ineligible to respond to a Request for Proposals issued by MFA; receive a loan or grant from MFA; enter into a contractual agreement with MFA; or serve as a subcontractor, service provider, participating mortgage lender, or as a partner, general or limited, in any project funded by MFA, based upon a determination by MFA pursuant to this policy that the individual or entity has engaged in any of the following conduct:
 - a) The individual or entity breached one or more contracts with or funded by MFA; has failed to repay a debt owed to MFA on one or more contracts as a result of that breach; and has not entered into a repayment schedule or evidenced an intent to comply with a repayment schedule;
 - b) The individual or entity willfully or materially failed to perform in accordance with the terms of one or more contracts entered into with or funded by MFA; or was a partner or associate of, or served as counsel to, an individual or entity that willfully or materially breached a contract with or funded by MFA or any other governmental or quasi-governmental entity, and was directly involved in the actions or omissions leading to the breach of contract;
 - c) The individual or entity has a history of failure to perform, unsatisfactory performance, or substantial noncompliance with the requirements of one or more contracts with or funded by MFA, any MFA contractor or subcontractor, or any other governmental or quasi-governmental entity;
 - d) The individual or entity is unwilling or unable, through its own acts or omissions, to assist or cooperate with MFA to resolve violations of federal or state regulations committed by the individual or entity during performance of one or more contracts with or funded by MFA, or to rectify inadequate or incomplete performance by the individual or entity of its requirements under one or more contracts with MFA;

- e) The individual or entity or any of the entity's principals or associates, in the context of

performance of a contract with or funded by MFA or any other governmental or quasi-governmental entity, committed a breach of contract as evidenced by a civil judgment of liability against the individual or entity directly related to the misuse of public funds or abuse of the public trust; or violated any federal or state statutes, as evidenced by conviction of a crime of financial or other misconduct (including theft, embezzlement, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violation of federal or state criminal tax laws, or receiving stolen property).

“Principals or associates” shall be defined for purposes of suspension and debarment as: officers, directors, shareholders, partners, employees, or other individuals associated with the entity who knew of, or had reason to know of, the individual’s or entity’s contractual breach or unlawful conduct, or that of a principal or associate of the entity, during or subsequent to the commission of the contractual breach or unlawful conduct, and yet failed to stop or report it to MFA and/or other responsible authorities.

- f) The individual or entity has been suspended or debarred from receiving funds from any other private or public entity.
2. **Person Responsible for Proposal of Debarment.** A proposal for the debarment of an individual or entity may be made by a MFA Department Director or Program Manager for the program(s) that the individual or entity has existing or future contracts or other agreements, or by the Controller, a Chief Officer, or the Executive Director/CEO of MFA. The proposal shall be in the form of a written notice to the Policy Committee and all affected Employees. Prior to issuing the written notice, the person making the proposal and MFA’s Director of Compliance and Initiatives Officer may request comments and information relevant to the proposed debarment from other MFA staff.

3. **Procedure to Determine Debarment.**

- a) **Documentation.** The documentation in support of a proposal for debarment shall contain:
 - 1) A narrative statement in chronological order identifying which of the Basis for Debarment listed in sub-section 1 of this policy are present and support the debarment proposal. The statement shall include:
 - i. Complete names, aliases, current addresses, zip codes, and a list of known affiliates of the individual or entity proposed for debarment.
 - ii. Tax Identification Number and/or Social Security number of the entity or individual proposed for debarment, if available.
 - iii. Names and telephone numbers of any persons with information pertinent to the facts at issue.
 - iv. A statement of justification as why immediate debarment is necessary to protect the public and MFA’s financial interest.
 - 2) A determination by MFA’s Director of Compliance and Initiatives Officer that the conduct upon which the proposed debarment is based falls within the scope of MFA’s Suspension and Debarment Policies. Such a determination may also include consideration of statutory, regulatory, or common law, if applicable, with guidance from General Counsel or MFA policy or program requirements for fiscal and/or administrative capacity.
 - 3) Copies of any relevant correspondence between MFA and the individual or entity proposed for debarment, and related documents such as audit/investigatory reports; media reports; contract(s); regulatory /management agreements for multifamily and single family developments; inspection reports; signed

interviews/affidavits; mortgage contracts; and/or any other documentation constituting evidence sufficiently probative of the facts at issue.

- 4) Any information that mitigates, justifies, or excuses the conduct of which the entity or individual is accused.
- 5) Any additional information or evidence pertinent to a determination regarding the proposed debarment.

b) Notice of Proposal to Debar. When the documentation required by sub-section 3.a) above has been compiled, written notice of the proposed debarment shall be sent by MFA's Director of Compliance and Initiatives Officer or another MFA-designated staff member to the individual or entity proposed for debarment. The notice shall advise the individual or entity of the following:

- 1) That the individual or entity is being considered for debarment under MFA's Suspension and Debarment Policies;
- 2) The factual reasons for the proposed debarment in terms sufficient to put the individual or entity on notice of the conduct or transaction(s) upon which it is based;
- 3) The specific Basis for Debarment relied upon under MFA's Suspension and Debarment Policies;
- 4) That within thirty (30) days after receipt of the notice, the individual or entity may submit to MFA in writing, either directly or through a representative, information, argument, and any documentary evidence, including notarized witness statements, to support the individual or entity's claim(s) in opposition to the proposed debarment;
- 5) In actions not based upon a civil judgment or criminal conviction, if MFA's Director of Compliance and Initiatives Officer concludes that the individual's or entity's submission in opposition raises a genuine dispute over facts material to the proposed debarment, MFA shall consider the evidence presented in opposition to the debarment when making a determination on the proposed debarment, and shall thereafter provide the individual or entity with a written explanation as to the weight attributed to the evidence the individual or entity provided in the consideration of the proposed debarment. General Counsel may be asked to provide guidance regarding statutory, regulatory, or common law issues as needed;
- 6) MFA's procedures governing debarment decision-making;
- 7) The effect of the issuance of the notice of proposed debarment; and
- 8) The potential effect of an actual debarment.

The procedural steps listed above do not apply if the proposal for debarment is based on a civil finding of liability or a criminal conviction for any of the reasons provided in sub-section 1.e) above or on an existing debarment by a federal, state, or quasi-governmental agency.

c) Determination on Proposed Debarment.

- 1) The Policy Committee has the sole authority and responsibility to determine whether debarment is appropriate based upon review of the information submitted in support of and in opposition to the proposed debarment.
- 2) The Policy Committee's decision for debarment shall be based on the greater weight of the evidence presented in support of and in opposition to the proposed debarment. Evidence that the individual or entity has a civil judgment or criminal conviction directly related to misuse of public funds or abuse of the public trust shall suffice to meet this standard of proof.
- 3) The individual or entity for which debarment has been proposed shall be informed

of the Policy Committee's determination in writing.

4. **Automatic Debarment.** Debarment will be automatic, with no opportunity for the individual or entity to oppose the debarment, and no requirement to provide notice to the debarred individual or entity, if the debarment is based on a civil judgment or criminal conviction as described in sub-section 1.e), above, or if debarment is based upon the individual's or entity's debarment by a federal, state, or quasi-governmental agency or if debarment is based on the individual or entity having been named on MFA's Disallowed Grantees List on the basis of an unpaid financial debt to MFA.
5. **Duration of Debarment Period.** Except as further explained in this sub-section below, a period of debarment may extend from one to five years, and MFA may require corrective actions to lift any debarment. The determination of the period of debarment shall be commensurate with the seriousness of the conduct that is the basis for the debarment; provided, however, that individuals or entities debarred for misuse or misallocation of funds or failure to pay debts owed to MFA will be debarred for a mandatory minimum period of five years, again subject to correction actions necessary to lift any debarment. If the basis for debarment remains unresolved beyond the initial period of debarment, the individual or entity will remain on the debarred list until that individual or entity effects resolution or correction action satisfactory to MFA.
 - a) **Termination of Debarment Period.** Unless the debarment is permanent, upon expiration of the period of debarment, and provided the individual or entity has resolved the issues supporting the debarment, has completed all corrective actions required by MFA to the satisfaction of MFA, and is current on all obligations to MFA a debarred individual or entity shall be removed from the debarred list.
 - b) **Permanent Debarment.** An individual may be permanently debarred for conviction of any criminal violation of federal or state law, if the Policy Committee deems the violation to be of such serious nature that it renders the individual so ethically tainted that any future contractual relations between MFA and the individual, or between MFA and an entity employing the individual in a role significant to the performance of a contract with MFA, would be highly disadvantageous, in the Policy Committee's determination, to MFA's interests.
6. **Suspension.** An individual or entity may be suspended from eligibility to respond to a Request for Proposals issued by MFA; enter into a contractual agreement with MFA; or serve as a subcontractor, service provider, or as a partner, general or limited, in any project funded by MFA, during the period of investigation of the alleged facts upon which the debarment proposal is based, or until the resolution of a legal proceeding upon which the proposal of debarment is premised, and/or until a determination of debarment is made by MFA's Policy Committee. A period of suspension may be included in the calculation of the total debarment period. The determination to initiate a suspension shall be made by the Policy Committee and all affected Employees shall be notified of the suspension.
 - a) **Automatic Suspension.** A pending civil action for breach of contract directly related to the misuse of public funds or abuse of the public trust, or a criminal indictment for a crime of financial or other misconduct (including theft, embezzlement, forgery, bribery, falsification, or destruction of records, making false statements, tax evasion, violation of federal or state criminal tax laws, or receiving stolen property) shall constitute grounds for automatic suspension upon the determination of the Policy Committee.

7. Notice and Duration of Suspension.

- a) **Notice.** Upon a determination of suspension of an individual or entity, MFA will provide written notice to the individual or entity of the suspension in accordance with all notice and procedural provisions applicable to debarment as provided in sub-sections 3.b) and 3.c) above. An automatic suspension of an individual or entity will not require the provision of notice to that individual or entity unless the suspended individual or entity inquires of MFA as to suspension status, applies for MFA funding, or seeks to perform as a contractor, subcontractor, or service provider on an MFA-funded contract.
 - b) **Duration.** A suspension as determined by the Policy Committee shall extend for no longer than six (6) months or will be terminated if the Policy Committee has failed in that time period to make a determination on debarment, unless the final determination awaits resolution of a criminal or civil proceeding upon which the suspension is based, in whole or in part. An individual or entity that has provided written evidence in opposition to the suspension as permitted by 3.b) above, shall receive written notice of the Policy Committee's final determination on the suspension, to include, if the suspension is upheld, information regarding MFA policies determining the potential duration of the suspension.
8. **Maintenance of Suspended and Debarred List.** The names and identifying information of all persons and entities deemed suspended or debarred by MFA's Policy Committee will be placed on a single suspended and debarred list, to be maintained by MFA's Director of Compliance and Initiatives Officer or another designated MFA staff member. It will be the responsibility of the Policy Committee to provide MFA's Director of Compliance and Initiatives Officer or the designated staff member with the name and identifying information of the debarred person or entity, in addition to the duration of the debarment, for inclusion on the suspended and debarred list. In the case of suspension, it shall be the duty of the Policy Committee to provide MFA's Director of Compliance and Initiatives Officer or the designated staff member with all information on the suspension, as is required for debarment, for inclusion in the suspended and debarred list. The suspended and debarred list shall be maintained in both electronic and hardcopy format, for easy access by all affected Employees.
9. **Notice to MFA Board of Directors.** MFA Management will provide notice to members of MFA Board of Directors of a determination by MFA's Policy Committee to debar any person or entity from receipt of MFA funding.

N. Consumer Complaints-Financial Products and Services

A consumer complaint is a customer communication expressing grievance with MFA products, services, or business operations. Complaints typically involve allegations of misconduct, unfair or deceptive practices or potential noncompliance with mortgage lending and consumer laws and regulations. This policy strictly applies to complaints related to financial products or services initiated by a mortgage loan application for a one- to four-unit single family dwelling.

1. **Definitions.** For the purpose of the Consumer Complaint Policy and Procedure, the following words and phrases shall have the following meanings:

"Complaint" means a verbal or written expression of dissatisfaction with or allegation of wrongdoing by MFA based on Federal Consumer Financial Law. This is with respect to financial products or services offered by MFA ensuring:

- a) Consumers are provided with timely and understandable information to make

responsible decisions about financial transactions;

- b) Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
- c) Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
- d) Federal consumer financial law is enforced consistently to promote fair competition; and
- e) Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

“Consumer” means a person or group of persons who are the final users of financial products or services offered by MFA.

“Fair Lending” means fair, equitable and nondiscriminatory access to credit for consumers.

“Financial Products or Service” means extending credit and servicing loans, including acquiring, purchasing, selling, brokering or other extensions of credit.

2. General Guidelines.

Pursuant to the authority of the Consumer Financial Protection Bureau (CFPB), MFA is responsible for maintaining a comprehensive Consumer Complaint Policy and Procedure for resolving consumer complaints related to the financial products it offers and the services related to those products it provides. The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and are intended to prevent violation of federal regulations related to consumer protection and mortgage lending. MFA’s Consumer Complaint policy and procedure is separate from MFA’s Fraud, Waste & Abuse Reporting. MFA will provide the public with MFA’s Consumer Complaint process as well as the link to submit a Consumer Complaint. The Consumer Complaint form will be available to consumers through MFA’s Website at <http://housingnm.org/resources/consumercomplaints>. Consumer Complaint tracking and resolution will be achieved through the steps outlined in this policy and the use of MFA’s Consumer Complaint Tracking database.

- a) Consumer Complaints may come to MFA in many forms, including but not limited to:
 - 1) MFA website - <http://housingnm.org/resources/consumercomplaints>.
 - 2) Phone Calls
 - 3) Letters (Regular Mail)
 - 4) Certified Mail
 - 5) E-mail
 - 6) Voice Mail
 - 7) Legal Action
 - 7)8) Official MFA Social Media Account Comments
- b) Regardless of the intake, all consumer complaints will be tracked through MFA’s Complaint Tracking and Reporting database. The data base will include:
 - 1) Receipt date and source

- 2) Consumer contact information
 - 3) Research and results
 - 4) Consumer response type and date
 - 5) Corrective actions taken
 - 6) Resolution code
- c) The Director of Compliance and Initiatives Officer will serve as MFA's complaint monitoring point of contact (POC). As the POC, the Director of Compliance and Initiatives Officer will be responsible for intake, data input, monitoring the status of complaints, compliance with requirements related to resolution and providing reporting to Management when complaints are received. In addition, the Director of Compliance and Initiatives Officer will be responsible for assigning the complaint to the appropriate department Director or Manager via the Complaint Tracking Database for resolution as required. When a department Director or Manager receives notification that a complaint has been reported in relation to their department, they have the responsibility of investigating the nature and credibility of the Consumer Complaint.
 - d) All MFA Employees subject to this policy will be provided training of the process for handling consumer complaints upon hire and annually thereafter.
 - e) MFA is committed to the highest standards of compliance with consumer protection and fair lending laws and requires Management, Employees, and third-party vendors to follow this policy in accordance with CFPB requirements.
 - f) Consumer complaints received by MFA staff shall be brought to the attention of the Board of Directors at the discretion of the Executive Director/CEO, who shall consider the severity, accuracy, and verifiability of the allegations of any complaint report when making this determination.

O. Vendor Management

1. **Policy Statement.** To enhance the services provided to MFA's customers, MFA often partners with outside vendors and service providers. In accordance with regulatory requirements as applicable, this policy is designed to provide oversight of vendor relationships in a manner that ensures compliance with Federal consumer financial law and other regulatory requirements.
2. **Covered Vendors.** For the purposes of this policy, a vendor or servicer provider (vendor(s)) will be defined as any entity contracted to provide services that would cause MFA to face risk if the vendor or service provider fails to meet contractual obligations, regulatory requirements, or engages in activities that could adversely impact MFA and/or its consumers.
3. **Responsibilities.**
 - a) The Director of Compliance and Initiatives Officer is responsible for the development, implementation, and maintenance of this policy as it applies to covered vendors and will be responsible for ensuring the vendor management due diligence review, risk assessment and monitoring are completed for vendors subject to this policy.
 - b) All third-party relationships within MFA are monitored through the Board approved procurement policy, contract renewal requirements, sub-recipient monitoring

requirements, sub-servicer oversight procedures and lender approval and recertification processes.

- c) This policy and any substantive changes will be approved by the Board of Directors.
4. **General requirements.** In order to conduct oversight of vendor relationships and maintain compliance with the regulatory requirements outlined above, MFA will:
- a) Exercise thorough due diligence in selecting vendors and maintain oversight through ongoing monitoring.
 - 1) The due diligence process is designed to provide an objective, in-depth assessment of a third party's ability to perform a proposed activity in compliance with Federal consumer protection laws. Major factors to consider during the due diligence review are:
 - i. Business qualifications, experience and reputation;
 - ii. Physical and information security and systems management;
 - iii. Legal and regulatory compliance record;
 - iv. Financial and regulatory audit performance, assuring appropriate policies, procedures, internal controls, and regulatory compliance;
 - v. Employment practices and employee training programs;
 - vi. Risk management systems.
 - 2) The monitoring process is designed to ensure the quality and sustainability of the vendor's controls and its ability to meet service-level agreements through meaningful performance metrics, audit reports and control testing results.
 - b) Set clear compliance expectations in vendor contracts with enforceable consequences for violating compliance-related responsibilities, reserving the right to conduct on-site compliance audits and notification requirements in the event of alleged consumer harm or federal non-compliance.
 - c) Take prompt corrective action to address problems identified through the monitoring process, including termination of the relationship.
 - 1) MFA will work to ensure that, when necessary, relationships terminate in an efficient manner and MFA consumers are not adversely affected by the termination.
5. **Risk Assessment.** Oversight measures will be commensurate with the level of risk posed by the relationship based on their aggregate risk rating. A risk assessment tool will be utilized to assess the possibility of potential risk for consumers to suffer economic loss or other injury from a violation of consumer financial law. The risk assessment will include the following risk factors: the covered vendor's access to customer information and regulatory exposure; MFA's operational reliance on the vendor, reputational risk, legal/regulatory risk, financial impact, and annual financial investment.
6. **Examination Standards.**
- a) High-risk vendors will be examined annually.
 - b) Moderate-risk vendors will be examined every 12 - 24 months.
 - c) Low-risk vendors will be assessed on an as-needed basis.
7. **Training.** MFA will ensure that Management and staff are properly trained on the requirements of consumer protection laws, the obligation to avoid unfair, deceptive, abusive, or discriminatory practices and the Vendor Management Policy.

8. **Contingencies.** MFA will develop a plan of action for continued operations in the event of a contingency associated with the failure of a covered vendor to ensure MFA customers are not injured by such circumstances.
9. **Documentation and Reporting.** A vendor examination report will be prepared by the Director of Compliance and Initiatives Officer and provided to the appropriate Department Director/Manager. It is the responsibility of the Department Director/Manager to notify the applicable Chief Officer of any critical weaknesses that present a significant risk of violating the law and causing consumer harm and to develop a vendor resolution plan.

P. Compliance Management System

MFA has developed a Compliance Management System (CMS) to effectively manage compliance with Federal and State consumer financial laws applicable to the products and services governed by consumer protection regulations that MFA offers.

1. **Scope.** The Compliance Management System has been developed to ensure compliance with the Consumer Financial Protection Bureau's (CFPB) requirement that supervised entities such as MFA proactively ensure compliance with Federal Consumer Financial Law and any other federal agency regulations in order to prevent or mitigate risk to MFA's consumers and to document those systems and processes accordingly.
2. **Objective.** Ensure that MFA meets relevant regulatory, legal, and compliance responsibilities.
3. **Responsibilities.**
 - a) MFA's Board of Directors and Management have set forth expectations for meeting compliance requirements. Responsibility for compliance oversight has been specifically delegated to the Contracted Services/Credit Committee of the Board, which meets regularly pursuant to the MFA By-Laws.
 - b) The Director of Compliance and Initiatives Officer is responsible for ensuring MFA maintains compliance for those activities that are subject to CFPB enforcement or governed by consumer protection regulations, including oversight, training, monitoring and corrective action, policies and procedures related to regulatory requirements, consumer complaints and compliance audits.
 - c) Pursuant to Freddie Mac's Guide Section 1301.2, MFA must establish and maintain an effective Office of Foreign Assets Control (OFAC) Compliance program that ensures compliance with OFAC Regulations; and at a minimum "develop internal controls, policies and procedures designed to detect Suspicious Activity and to report such Suspicious Activity to Freddie Mac."
 1. MFA has designated the Chief Financial Officer (CFO) or (their designee) as it qualified individual responsible for day-to-day monitoring of Suspicious Activity and compliance with the OFAC Compliance program
 2. The CFO will oversee the following:
 - i. Risk assessment analysis;
 - ii. Internal controls, policies and procedures designed to detect Suspicious Activity;
 - iii. Testing/Auditing; and

- iv. Training appropriate to employees' responsibilities and based on MFA's risk profile.
- 3. If it is determined that a customer/borrower is on the Specifically Designated Nationals and Blocked Persons (SDN) list maintained by OFAC, the CFO and/or the Compliance Manager shall immediately or as soon as possible notify the Executive Director/CEO.
- 4. Upon confirmation that a customer/borrower is on the SDN list, the Board will be notified immediately or as soon as possible by the Executive Director/CEO or the CFO.

The Director of Compliance and Initiatives Officer maintains independence from MFA's Management and serves in an oversight and advisory capacity to assist with day-to-day compliance matters.

The Director of Compliance and Initiatives Officer is responsible for reporting compliance related activities to MFA's Board of Directors and Management on a regular basis and to report compliance related matters as needed, including the ability to report compliance issues without repercussions from Management.

Q. Electronic Signatures

1. **Purpose and Scope.** This policy establishes when an electronic signature may replace a written signature in official MFA activities and applies to all Members, Management, Employees, or Funding Committee members, and governs all uses of electronic signatures and electronic records used to conduct the official business of MFA. Such business shall include, but not be limited to electronic communications, transactions, contracts, grant applications and other official purposes including transactions with MFA's external clients, partners, service providers, and their customers.
2. **Definitions.** For the purposes of this policy, the following terms have the following meanings:
 - a) "approved electronic signature method" is one that has been approved by a Chief Officer or the Executive Director/CEO in consultation with the Senior Director of Information Technology, in accordance with this policy and all applicable state and federal laws, and which specifies the form of the electronic signature, and the significance of the use of the electronic signature;
 - b) "electronic" means relating to technology having electrical, digital, magnetic, wireless, telephonic, optical, electromagnetic, or similar capabilities;
 - c) "electronic record" means a record created, generated, sent, communicated, received, or stored by electronic means;
 - d) "electronic signature" means an electronic symbol, sound or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record;
 - e) "Intent to sign" means the intent of a person that a symbol, sound, or process is applied to a record in order to have a legally binding effect; and
 - f) "record" means information that is inscribed on a tangible medium or that is stored in

an electronic or other medium and is retrievable in a perceivable form.

3. **Acceptance and Use of Electronic Signatures.**

a) Signature Required by MFA Policy / Internal Use

- 1) Where an MFA policy or Department procedure requires that a record have a signature, the requirement is met when the electronic record has associated with it an electronic signature, using an approved electronic signature method. Electronic signatures may be used on all internal records and approvals unless specifically prohibited by existing law, regulation or by management.

b) Signature Required by Law

- 1) Where there is a legal requirement, beyond MFA policy, that a record have the signature of a responsible person, that signature requirement is met when the electronic record has associated with it an electronic signature, using an approved electronic signature method that complies with New Mexico state law or federal law, including the Electronic Signatures in Global and National Commerce Act (the "E-SIGN Act") and New Mexico's Uniform Electronic Transactions Act, Section 14-16-1 et seq NMSA 1978 ("UETA").
- 2) For electronic signatures which are required by law, the approved electronic signature method must ensure that the following requirements are met:
 - i. **Intent to sign** – each party must have had intent to sign
 - ii. **Consent** – each party must agree to use electronic signatures and electronic records for the transaction. For business transactions this may be evident by the circumstances of the transaction but for consumers, they must receive consent disclosures, agree to use electronic records and may not have withdrawn their consent.
 - iii. **Associate the signature with the record** – the electronic record must have an associated electronic signature with it that demonstrates the process used to capture the signature. It must be added to the electronic record permanently.
 - iv. **Retention** – the electronic record and associated electronic signature must be securely saved and accessible by the parties to the transaction.

4. **Approved Electronic Signature Vendors.** MFA shall contract with vendors capable of deploying technology which meets federal and state statutory requirements and complies with the E-Sign Act, UETA and any other regulatory requirements that may apply. Vendor certification of such must be maintained by the Information Technology Department.

5. **Prohibited Uses.** In addition to any prohibited use of electronic signature which may be identified by MFA Department Directors/Managers pursuant to Section 6 of this Policy, electronic signatures are expressly prohibited in the following circumstances that apply to MFA business:

- a) Notices of default, acceleration, repossession, foreclosure, or eviction, or the right to cure under a credit agreement secured by, or rental agreement for, a primary residence of an individual;
- b) Notices for the cancellation or termination of health insurance or benefits or life insurance benefits (excluding annuities)

6. **MFA Contracts.**

- a) MFA generated contracts or agreements that are executed electronically should contain language allowing for electronic signatures. An example of such language would be:

- 1) "Electronic Signatures. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures.
 - 2) Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures."
7. **Department Procedures.** MFA Department Directors/Managers may maintain a list of documents for which the use of electronic signatures is prohibited. Each Department Director/Manager shall be responsible for ensuring that the Department utilizes an approved electronic signature method that meets the requirements for the type of record requiring signature and partner electronic signature requirements. Departments shall continue to maintain their records in accordance with the appropriate record retention policy.

1.4 Business Travel and Meal Expenses

A. General Guidelines

1. **Travel and Meal Expenses.** MFA will pay or reimburse MFA Members and/or their duly authorized designees, external Advisory Committee Members as appointed by the Board, Management, Employees, Third Party Contractors (subject to their agreements with MFA) and other third parties for business travel and meal expenses incurred by them in connection with the performance of MFA business in accordance with the policies set forth in this section 1.4. Business travel expenses shall be paid or reimbursed pursuant to sub-section B of this policy. Business meal expenses shall be paid or reimbursed pursuant to sub-section C.
2. **Payment and Reimbursement Procedures.** Requests for payment or reimbursement of business travel and meal expenses shall be processed in accordance with sub-section D of this policy.
3. **Airline Travel Vouchers.** When traveling on MFA business via airliner, Members, external Advisory Committee Members, Management and Employees shall not voluntarily surrender his/her seat in order to receive a travel voucher. In the case that the surrender of a seat is unavoidable, the voucher becomes MFA's property and will be used for future MFA travel for the Member, external Advisory Committee Member, Management or Employee.

B. Travel Expenses

1. Reimbursable Expenses.

- a) **General Rule.** MFA will pay or reimburse Members and/or their duly authorized designees, external Advisory Committee Members, Management, Employees, Third Party Contractors (subject to their agreements with MFA), and other Third Parties as designated for the conduct of MFA business including meetings and presentations to the Board and/or MFA Legislative Oversight Committee for reasonable travel expenses actually incurred in connection with the performance of MFA business. Reimbursable travel expenses include expenses for transportation, lodging, and meals purchased

while traveling on MFA business. Reimbursable travel expenses also include mileage reimbursement for the use of a personal automobile on MFA business (other than travel to and from work). The amount of mileage reimbursement shall be the current rate for mileage established by the Internal Revenue Service. Reasonable meals purchased on one day travel trips (no overnight lodging) may be reimbursed in accordance with subsection C, customer relations, of this policy. Meals purchased on one-day travel trips that are not customer relations related are reimbursable as well, but subject to taxes in accordance with IRS regulations. Meals purchased during same day, in-town travel are not reimbursable. Same day, in-town travel is defined as travel within 50 miles of MFA.

- b) **Reasonableness.** Whether travel expenses are reasonable shall be determined by MFA on a case-by-case basis. In general, reasonable travel expenses include coach or economy class airline tickets, reasonably priced hotel or motel accommodations and non-luxury rental cars. Reasonable travel expenses do not include expenditures for entertainment, first class airline tickets, luxury hotel accommodations, or luxury rental cars.
- c) **Authorization.** All in-state and out-of-state travel must be authorized as follows:
 - 1) All in-state travel must be authorized in advance in writing by the Employee's direct supervisor and Chief Officer(s) or Executive Director/CEO.
Exceptions that only require verbal approval in advance:
 - i. Travel for Board related meetings does not require prior authorization;
 - ii. Travel within Bernalillo, Sandoval and Valencia counties does not require prior authorization;
 - iii. Travel to Santa Fe during the Legislative Session, to attend State Board of Finance meetings, and to participate in other State business does not require prior authorization.
 - 2) All out-of-state travel must be authorized in advance by the Chief Officer(s) or Executive Director/CEO. The Chair of the Board must authorize all out-of-state Board travel. Exceptions:
 - i. Travel to El Paso with the destination of Las Cruces or nearby areas will be considered in-state travel;
 - ii. Travel to the Navajo Nation will be considered in-state travel.
 - 3) All pre-authorizations will be documented on the travel request form;
 - 4) The Executive Director/CEO and Chair of the Board have the authority to authorize their own travel.
- d) **Travel Arrangements.** All travel arrangements for members of Management and Employees may be made by designated MFA Employees. Members and external Advisory Committee Members may, but are not required to, make their travel arrangements through MFA Employees.
- e) **Advances.** Ordinarily a Member, external Advisory Committee Member, Management or Employee's business travel expenses should be paid directly by MFA or reimbursed. However, in appropriate circumstances, and subject to approval by the Chief Officer(s) or Executive Director/CEO, MFA will authorize, and issue cash advances up to \$100 per day (\$400 maximum) for overnight travel and up to \$50 for one-day travel. Exceptions may be made for "high cost" areas.
- f) **Reimbursement/Refund of Travel Advances.** A complete Travel/Expense Reimbursement Request form must be submitted within five working days from the return of business travel. The request must reflect reimbursement to the Member,

external Advisory Committee Member, Management or Employee, or reflect a refund to MFA.

2. Persons Eligible to Travel on MFA Business.

- a) **MFA Members, Advisory Committee Members, Management, and Employees.** MFA Members and their duly authorized designees, external Advisory Committee Members, Management, Employees, and third parties as designated for purposes of presentations to the Board and MFA Legislative Oversight Committee are authorized to incur travel expenses to be paid or reimbursed by MFA.
- b) **Ex-officio Members.** Ex-officio Members may be authorized to incur travel expenses to be reimbursed by MFA provided the Member does not claim or receive reimbursement or per diem under the Per Diem and Mileage Act.
- c) **Spouses and Others.** MFA will not reimburse travel expenses incurred by or on behalf of spouses or dependents of Members, external Advisory Committee Members, Management or Employees or other persons not employed by MFA except as provided in sub-section 2.d) below relating to Third Party Contractors.
- d) **Third Party Contractors.** MFA may reimburse or pay directly the travel expenses of Third-Party Contractors in accordance with this travel reimbursement policy and subject to their agreements with MFA.

C. Business Meals

The policies set forth in this sub-section shall apply to all meal or beverage expenses incurred in connection with MFA business other than meal expenses incurred while traveling on MFA business covered by sub-section 1.4B of this policy.

1. **Reimbursable Expenses.** MFA will pay or reimburse Member's, Management's and Employee's expenses for food and non-alcoholic beverages if and only if the meal is either directly related to the active conduct of MFA business (directly related test), or in the case of a meal preceding or following a bona fide business discussion, the meal is associated with active conduct of MFA business (associated with test); or the meal is demonstrably related to MFA's constitutionally or statutorily authorized functions and does not amount to a subsidy of private individuals or businesses (anti-donation test); and the cost of the meal is not lavish or extravagant.
 - a) **"Directly Related" Test.** A meal expenditure is directly related to MFA business if it occurred in a clear business setting and meets all the following requirements:

Expected Benefit. At the time of the meal expenditure MFA is expected to derive some income or other specific business benefit at some future time (i.e., a general goodwill or public relations purpose is not enough, but it is not necessary that income/business result from expenditure);

 - 1) **Business Discussions.** During the meal period, an MFA Member, Management or Employee actively engaged in a bona fide MFA business meeting or discussion;
 - 2) **Business Purpose.** The principal character of the combined business and meal was the active conduct of MFA business; and
 - 3) **Business Contact Presence.** The business meal involves an MFA Member, Management or Employee and a person with whom MFA Member, Management or Employee was actively conducting MFA business (there is no eat-alone reimbursement except for approved travel away from home).

4) Examples

- i. John, an MFA employee, meets with Joe, an investment banker, at a restaurant to discuss refunding certain MFA multifamily housing bonds. During the meal John and Joe discuss the pros and cons of refunding the bonds, including market conditions, costs of issuance, etc. John picks up the tab. The business meal constitutes a reimbursable meal expense.
- ii. In May 2013, Mary an MFA Member worked closely with XYZ Investment Bank in connection with the issuance of its 2013A Single Family Mortgage Purchase Refunding Bonds. In September 2013, as a goodwill gesture, Mary calls Bob, an XYZ executive, and invites him to lunch. Mary pays for lunch. Because there is no expectation of a specific business benefit, but only a general goodwill or public relations purpose, this business meal is not a reimbursable expense.

- b) **Associated with Test.** A meal is associated with the active conduct of MFA business if MFA Member, Management or Employee establishes that he or she had a clear MFA business purpose in making the expenditure and the meal directly preceded or followed a substantial and bona fide business discussion such as a business meeting, negotiation, discussion, or other bona fide business transaction. MFA Member, Management or Employee must show that the business meeting was substantial in relation to the meal, that specific business was a principal objective of the meeting (and the meal incidental).

- 1) Example: Joe, an MFA Member, meets Bob, a bank executive, at MFA's office to discuss the bank's participation in MFA's down payment and closing cost assistance program. After the meeting, Bob and Joe go to dinner and Joe pays. The meal occurs directly following a substantial and bona fide business discussion and is associated with MFA business. Therefore, the meal expense is reimbursable.

- c) **Anti-Donation Test.** A meal provided to MFA Members, Management or Employees that does not include a third party subject to the Directly Related Test or Associated with Test is considered to comply with the anti-donation test (Article IX Section 14 of the New Mexico Constitution) when it is provided in conjunction with the conduct of MFA business or provides a benefit to MFA, provided that the purpose related to MFA's responsibilities and mission are identified. These allowable, reasonable expenditures include:

- 1) meals and refreshments during meetings when MFA business is discussed or conducted
- 2) meals and refreshments for employee professional development activities
- 3) meals and refreshments for team building functions
- 4) meals and refreshments for employee recognition events

2. **Required Documentation.** MFA Members, Management and Employees shall submit forms for meal expense payment or reimbursement, which shall include:

- a) The amount of the meal expenditure;
- b) The time and place of the business meal;
- c) The bona fide business reason (business-specific justification) for the meal including the date and place of any business meeting the meal preceded or followed; and

- d) The identity of and MFA's business relationship to each of the persons present at the

business meal for the Directly Related Test or the Associated Test; and.

- e) The purpose of the meal related to MFA's responsibilities and mission for the Anti-Donation Test.

Any meal expense payment or reimbursement form, which does not contain the required information, will not be approved.

D. Expense Reimbursement Procedures

1. **Reimbursement Forms.** MFA Management and Employees shall submit all requests for expense payment or reimbursement for travel or meal expenses to the Controller according to Staff Travel Guidelines & Procedures. MFA Members and external Advisory Committee Members shall submit all requests for expense payment or reimbursement for travel or meal expenses using the forms established by MFA's Controller. All expense reimbursement forms must be completed in full to be considered for reimbursement. Incomplete expense reimbursement forms will be returned for completion (completion includes approval signatures and pre-authorized travel request).
2. **Required Documentation.** Receipts, travel authorization form (if applicable), business meal documentation and any other required documentation must accompany all reimbursement request forms.
3. **Disputed Items.** The Chief Financial Officer, subject to the provisions of this policy, shall make the determination of whether a disputed expense is payable or reimbursable by MFA. The Executive Director/CEO shall resolve any dispute regarding reimbursement that cannot be resolved between the Chief Financial Officer and the person seeking reimbursement.
4. **Third Party Contractors.** MFA will accept any reimbursement request forms submitted by Third Party Contractors so long as documentation for travel expenses is in accordance with this travel reimbursement policy.

E. Third Party Expenditures

1. **General.** Third Party Contractors, such as legal counsel, investment banker or accountant, shall not be reimbursed for any expense that is not otherwise reimbursable under MFA's reimbursement policies.
2. **Out-of-Pocket Expenses.** Out-of-pocket expenses incurred by Third Party Contractors, such as costs for document reproduction, long distance telephone calls and overnight courier services shall be reimbursed in accordance with MFA reimbursement policies issued from time to time and the contract executed with third party.
3. **Board Meeting Attendance.** MFA will not reimburse third party contractor's travel expenses to attend board meetings or other activities unless their attendance is requested or required.

1.5 Transaction Authorizations

- A. **Authorized Signatures on Program Transactions.** Members of Management or Employees designated by Management are authorized to sign documents and/or instruments required in performing program activities, subject to the approvals and review process requirements set forth in

the Delegations of Authority chart that is Exhibit E to this manual³ and individual Employee Delegations of Authority that are established by Management based on the details specified in this manual, the Authorized Signature Resolution, the Delegations of Authority chart (Exhibit E), department budgets and Employee responsibilities.

- B. **Authorized Signatures on Bank Accounts.** The Chair, Vice-Chair, and Treasurer of the Board, Members designated by the Chair, Executive Director/CEO, Chief Officer(s), and Controller are authorized to sign on bank accounts and related banking documents.
- C. **Authorized Signatures on Contracts.** The Chair of the Board, members of Management, and Controller are authorized to sign contracts entered into on behalf of MFA. All contracts to be signed by authorized signers shall be recommended for approval as indicated by signature of the appropriate manager. Director level staff are also authorized to sign contracts in instances where awards have been approved by Policy Committee and/or the Board of Directors. In addition, the Chief Financial Officer or Director of Servicing are each authorized to sign contracts entered into on behalf of MFA directly related and limited to the management and sale of MFA's Real Estate Owned (REO) portfolio. Department Directors/Managers will retain a copy of all contracts executed in their respective areas, except for loan and personnel related contracts. Original loan documents will be kept in their departments of origin or the Servicing Department as appropriate, and a scanned copy of each document will be maintained in an electronic file on MFA's computer system. Personnel-related contracts will be retained in the Human Resources Department. All contracts must comply with MFA Procurement Policies.
- D. **Authorized Delegations of Authority.**³ Management and staff can appoint an "Acting" in their absence in accordance with their designated Delegations of Authority for program transaction approval. Bank account and contract authority cannot be delegated nor can signature authority above individual Employee delegations. Hourly staff cannot be appointed "Acting" in a management capacity. Appointments must be approved by the Executive Director/CEO or Chief Officer(s) as appropriate. Notification must include Management (as defined in Section 1.2.C) and the Controller.

1.6 Fair Housing Policy

- A. MFA engages in certain housing-related transactions in fulfilling its public purpose and has, since its inception, pledged to the letter and spirit of US policy for the achievement of equal housing opportunity throughout the nation.
- B. MFA will not refuse to sell or rent or refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny, a dwelling to any person and prohibits discrimination based on race, color, religion, sex, age, sexual orientation, gender identity, disability, familial status, national origin, or other protected class including those protected under the New Mexico Human Rights Act.
- C. MFA prohibits discrimination against any person in making available a residential real estate-related transaction, or in the terms or conditions of such a transaction, because of race, color, religion, sex, age, sexual orientation, gender identity, disability, familial status, national origin, or other protected class including those protected under the New Mexico Human Rights Act.
- D. MFA will contractually require compliance with all applicable fair housing and fair lending laws by all

³ The Delegations of Authority that are included in Exhibit E of this Manual are those that have most recently been approved by the Board of Directors at any given time. The Board of Directors may separately amend or modify the Delegations without amending any remaining provisions of this Manual. If the Delegations of Authority are separately modified or amended by the Board of Directors, the most current version of the Delegations of Authority will automatically become Exhibit E of this Manual.

recipients of MFA-administered funds.

- E. MFA's Director of Compliance and Initiatives ~~Officer~~ is the designated Fair Housing Office. _

SECTION 2 – HUMAN RESOURCES

2.1 Conditions of Employment

The policies of the Board, with respect to conditions of employment, are set forth in the Employee Manual, which shall be made available to all Employees. The Board shall approve the manual at least annually.

2.2 Organizational Structure

MFA will provide the Board with an organizational chart at least annually.

2.3 Personnel Records

A. Personnel records of MFA consist of:

1. **Personnel Files for Individual Employees.** Personnel files for individual Employees will contain the information listed in the Employee Manual.
2. **Personnel Files for Terminated Employees.** Personnel files for terminated Employees will be retained intact for seven years from the date of termination. After seven years, personnel files for terminated Employees will be destroyed.
3. **Desk Files for Terminated Employees.** When an Employee terminates employment with MFA, regardless of the reason for the departure, the supervisor should submit any desk file information to Human Resources to be made part of the personnel file.
4. **Hiring Data.** Hiring data will consist of an employment application and resume, if applicable, for all applicants who have applied for any specific vacant position. Only applicants who meet the requirements of the position will be considered. Other records related to the hiring process will include evidence of reference checks, interview notes, background investigations, and tests administered if applicable to the position. Files containing hiring data will be kept two years from the date of application or from the date the position was filled as required by the Equal Employment Opportunity Commission. After two years, files containing hiring data will be destroyed.
5. **Payroll Records.** Payroll records consist of the payroll register, salary authorization forms, and payroll tax reports. Payroll records are required to be kept for seven years. After seven years payroll records will be destroyed.
6. **Desktop Procedures.** Department Directors will ensure desktop procedures are reviewed at least every three years. Upon review, desktop procedures must include last update and review dates for version control purposes.

2.4 401(k) Investment Policy

- A. MFA (MFA or the Plan Sponsor) offers to its Employees the MFA 401(k) Plan (the Plan), a defined contribution tax deferred savings plan. It is intended to provide eligible Employees with the long-term accumulation of retirement savings to individual participant accounts and the earnings thereon.
- B. In conjunction with the Plan Administrator, an internal 401(k) Investment Committee administers the Plan. The members of the 401(k) Investment Committee are: Executive Director/CEO, Chief Housing Officer, Chief Lending Officer, Chief Financial Officer, Human Resources Director and two Employee representatives.
- C. The Plan Administrator acts in a co-fiduciary role with MFA with respect to fund selection. The Plan Administrator provides investment fund advice to MFA with respect to funds on the Plan investment menu, and MFA retains the discretion to accept or reject that advice. The Plan Administrator is serving as a 3(21) fiduciary.
- D. The 401(k) Investment Committee has developed a Statement of Investment Policy in order to define the Plan's investment objectives, define the roles and responsibilities of those responsible for the Plan's investments, describe the criteria and procedures for selecting investment options, establish measurement standards and monitoring procedures for investment options and describe a way to address investment options that fail to satisfy established objectives.
- E. The fund array offered in the Plan includes enough fund options from distinct asset classes to accommodate a broad range of individual investment goals. The fund array is intended to provide Plan participants with a range of investment options that have incremental and identifiable steps up the risk and return spectrum.
- F. In addition, it is intended that, through the Plan, participants will be able to direct their investments and select a diversified portfolio. The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. If a participant does not choose an investment, the participant's deferral contributions and MFA's contribution will be invested in a target date fund appropriate to the participant's age.
- G. The 401(k) Investment Committee reviews certain qualitative and quantitative measures and fund recommendations prepared by the Plan Administrator in evaluating potential investment options. The 401(k) Investment Committee will have at least two regularly scheduled meetings per year to review fund performance. The Plan Administrator prepares the analysis that is reviewed by the 401(k) Investment Committee. Returns, benchmarks, risk metrics, strategy style, track record of the investment options portfolio manager, and fees are all monitored.
- H. An investment option may be placed on Watch status, a higher review status, to indicate the awareness of a change or area of concern related to the fund. An investment option may remain on Watch status as long as deemed necessary. Both subjective (investment quality, correlation with other investment options, strategy) and objective factors (performance, percentile rank, tenure) will be considered when deciding whether to keep the fund on Watch status, take the fund off Watch status, or terminate the fund from the Plan. The 401(k) Investment Committee, under the guidance of the Plan Administrator has sole discretion to replace a fund. In the event a fund is slated for replacement, the 401(k) Investment Committee will choose a replacement fund after reviewing the recommendation from the Plan Administrator. Once a fund has been selected, the 401(k)

Investment Committee will coordinate the communication efforts to assist with the transition for plan participants with respect to the new fund introduction.

SECTION 3 - PROCUREMENT POLICIES

3.1 Policies and Purposes

MFA is committed to providing affordable housing for low and moderate income New Mexico residents; promoting free competition among potential contractors; and supporting New Mexico based businesses. Although the New Mexico Procurement Code is inapplicable to MFA, these procurement policies and procedures are intended to be patterned after the New Mexico Procurement Code, Section 13-1-28, et seq., NMSA (1978), in conjunction with the unique needs and structure of MFA, and to provide general procurement guidelines for MFA.

A. **Application.** These procurement policies and procedures shall apply to the following purchases, with the exceptions provided in sub-section B below:

1. **Services.**

- a) **Professional Services.** Professional Services, including Services rendered by legal counsel, consultants, accountants, auditors, and other professionals as needed from time to time.
- b) **Financial Services.** Financial Services, including Services rendered by investment bankers, underwriters, trustees, custodians, financial advisors, credit enhancement providers, loan servicers and investment agreement providers and others as needed from time to time.
- c) **Other Services.** All other services, including advertising, public relations, and printing services.

2. **Tangible Personal Property.** All Tangible Personal Property, including furniture, fixtures, equipment, and supplies.

3. **Program Expenditures and Awards.** Aside from the procurement procedures permitted by Program Policies (see section 4 of this Manual) and the exceptions provided below, expenditures or disbursement of funds or awards of benefits from federal and state programs administered by MFA and from MFA programs for Services, Tangible Personal Property and other awards shall be subject to these Procurement Policies except when in conflict with any federal or state regulations.

Please see MFA's current Authorizations ("Exhibit E").

B. **Exceptions.** These Procurement Policies do not apply to procurement of Tangible Personal Property, Services or Program Expenditures and Awards (as referred to in subsection A) as follows:

1. **Small Purchases.** A small purchase is a purchase of Tangible Personal Property, Services or Program Expenditures and Awards costing less than \$50,000 within a given calendar year, including any charges such as taxes and travel that are essential to the provision of the Services or Tangible Personal Property.

2. **Informal Bids/Requests for Qualifications (RFQs).** At least three, if possible, informal bids

or RFQ responses, as appropriate, will be obtained from vendors for purchase of Tangible Personal Property, Services or Program Expenditures and Awards costing \$50,000 or more but less than \$200,000 within a given calendar year. Where the Tangible Personal Property, Services or Program Expenditures and Awards are provided by current vendors, a request for informal bids or RFQs will be mailed to current vendors and to other known vendors. All requests for informal bids or RFQs will include descriptions of:

- a) the Tangible Personal Property, Services or Program Expenditures and Awards to be purchased;
- b) the terms and conditions applicable to the purchase, including the period of time during which Offeror(s)' prices will remain in effect;
- c) the response submission date, time, and place; and
- d) The criteria to be utilized by MFA in selecting the successful Offeror(s).

Informal bids or RFQ responses must be obtained in writing but do not have to be opened in public. Multiple vendors may be selected and placed on a list of approved vendors to provide the Tangible Personal Property, Services or Program Expenditures and Awards in question, in which case contracts need not be entered into; however, payments to vendors may not exceed the prices proposed in vendors' responses to the RFQ, for the period identified in the RFQ. MFA may permit Offerors who are not selected under the RFQ to provide the same kinds of Tangible Personal Property, Services or Program Expenditures and Awards proposed in their informal bid or RFQ response, subject to the limitations stated in sub-section B.1 above. For any given engagement, vendors may be selected based on availability and other relevant factors. The basis for individual selections will be documented.

3. **Emergency.** An emergency procurement is a procurement made:

- a) under a condition creating an immediate threat to operations or funding of MFA, any federal or state program or project, or to any bond issue; or
- b) In response to a natural disaster or other emergency creating an immediate need for housing or housing-related Tangible Personal Property, Services or Program Expenditures and Awards.

In such conditions MFA may conduct negotiations to obtain the price and terms most advantageous to MFA, with any vendor or vendors that MFA determines to be most capable of delivering the procurement.

4. **Limited Source Procurement.** Limited source procurement is procurement for items or services that are only available from one source or when there are such a limited number of qualified sources for the procurement, as determined under the facts and circumstances of the procurement, that a competitive sealed proposal procedure would be impracticable and therefore competition is determined inadequate. In such conditions MFA may conduct negotiations to obtain the price and terms most advantageous to MFA, with any vendor or vendors that MFA determines to be most capable of delivering the procurement. Limited source procurements may also be utilized in federally funded programs if the federal awarding agency expressly authorizes noncompetitive proposals.

5. **Healthcare/Dental Providers.** In the healthcare industry there are a limited number of similar or like sources to healthcare/dental providers which makes a competitive sealed proposal procedure impractical. So as not to interrupt healthcare/physician/dental services for MFA Employees, MFA may conduct negotiations with the like sources and obtain the price and terms most advantageous to MFA.
 6. **Banking Services.** As a financial intermediary with banking requirements similar to those required in a correspondent banking relationship, MFA requires very complex banking services in order to meet the needs of the business. These services would not be available through most banking institutions. In addition, MFA's borrowing needs and primary collateral are very specialized. To ensure an efficient and effective process MFA may selectively seek these services through a strategic request for information (RFI) process and obtain these services on the price and terms most advantageous to MFA.
 7. **State Contract.** A state contract procurement is a procurement in which the vendor has an existing procurement contract with the state; the pricing offered by the vendor to MFA is the same as the pricing under the state contract; the same standards and specifications apply; and the quantity purchased does not exceed the quantity which may be purchased under the applicable price agreement.
 4. **Approval.** Exceptions described in this sub-section B are to be reviewed and approved according to MFA's Authorizations. ("Exhibit E")
 9. **Documentation.** All exceptions to the Procurement Policy will be documented with respect to the justification for the exception as described above. Documentation of RFQs and RFQ responses and the name and address of each contractor, the amount and term the contracts and a list of all Tangible Personal Property, Services or Program Expenditures and Awards under each contract will be maintained on file in accordance with MFA's policy for retention and disposition of records by the department procuring the services.
- C. **Procedures.** Procurement of Tangible Personal Property, Services or Program Expenditures and Awards costing \$200,000 or more within a given calendar year, and procurements not subject to the exceptions in sub-section B of this policy, are subject to a competitive sealed proposal or "Request for Proposals" (RFP) as follows:
1. **Requests for Proposals (RFPs).** Competitive, sealed proposals will be solicited through an RFP. All RFPs shall include descriptions of:
 - a) The Tangible Personal Property or Services to be purchased;
 - b) The terms and conditions applicable to the procurement; including the period of time during which Offeror(s)' prices will remain in effect;
 - c) The date, time and place where proposals are to be received and reviewed, including a statement that late proposals will not be accepted;
 - d) The applicable protest procedures; and

- e) The criteria to be utilized by MFA in selecting the successful Offeror(s) and the weight to be attributed to each criterion.
2. **Notices of Funds Availability (NOFAs).** NOFAs will be used in place of RFPs to identify funding opportunities when individual program policies require that the funds be made continually available, and it is anticipated that there will be more funds available than applicants for anyone round of funding. Selection of eligible Offeror(s) will be based on specific factors and criteria identified within the NOFA.
 3. **Review.** Final RFPs and NOFAs do not need legal review and approval if approved template has been used prior to publishing.
 4. **Resident Business Preference.** For a procurement of goods or services through an RFP process in which the goods or services to be purchased will be purchased with non-federal funds:
 - a) If procurement is made through an informal bidding process, including an RFQ, a bid submitted by a Resident Business shall be deemed to be five percent lower than the bid actually submitted;
 - b) If procurement is made through an RFP, five percent of the total weight of all factors used to evaluate the proposals shall be awarded to a Resident Business;
 - c) If the contract is awarded on a point-based system, a Resident Business shall be awarded the equivalent of five percent of the total possible points to be awarded based on its status as a Resident Business.

A New Mexico Resident Business, for the purposes of MFA's Procurement Policies, is defined as one in which the majority of the Offeror's employees who would perform the services to be performed pursuant to the relevant procurement reside in New Mexico. If an Offeror is seeking preference points as a New Mexico Resident Business, the Offeror's proposal must include:

- a) Evidence that the Offeror is licensed to do business in New Mexico; and,
 - b) A representation that the majority of the Offeror's employees who would perform the services to be performed reside in New Mexico.
5. **Negotiation.** MFA may provide Offeror(s) whose proposals are reasonably likely, in MFA's discretion, to be selected an opportunity to discuss and revise their proposals at any time after submission of proposals and prior to award, for the purpose of obtaining final and best offers. MFA may negotiate with responsive Offeror(s) for award.
 6. **Award/Selection.** Offerors whose proposals are most advantageous to MFA, taking into consideration the evaluation criteria set forth in the RFP or NOFA, will be selected according to the current Authorizations. MFA has the discretion to select an Offeror that is most advantageous to MFA even if they do not receive the highest score under the Evaluation Criteria in the RFP or NOFA. Written notice of the selection of the Offeror(s) will be sent to all Offeror(s) as soon as reasonably possible.

7. **Internal Review Committee.** As required by the Delegations of Authority, all proposals for each RFP requiring Board approval will be reviewed by an Internal Review Committee of at least three (3) MFA staff members including the Chair of the Internal Review Committee, who will be responsible for establishing the Internal Review Committee, getting Internal Review Committee membership approval from the Policy Committee, distributing the proposals to the members, setting meeting times, ensuring proposals are scored in a uniform manner, summarizing the scores and presenting the results to the Policy Committee, Board Committee and the Board. From time to time, as needed, one or more reviewers from outside MFA may be invited to participate in the review process. It is also recommended that the Chair of the Internal Review Committee propose an alternate member for approval along with the regular Internal Review Committee members who will score the proposals if another member becomes unavailable to participate in the process.

8. **Contract Requirement.** All awards and funding allocations through a NOFA shall be evidenced by a fully executed contract. All contracts (as to form) require documented legal review.

9. **Responsibility of Offeror(s).** If an Offeror who otherwise would have been awarded a contract or approved for funding, is not 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 an award. The failure of an Offeror to promptly supply information in connection with an inquiry concerning responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

10. **Irregularities in Proposals.** MFA may waive technical irregularities in the form of the proposal of the Offeror(s) selected for award or approved for funding if such irregularities do not alter the price, quality or quantity of the Services or Tangible Personal Property offered.

11. **Protest Procedure for RFPs.**

- a) An Offeror may protest the selections in accordance with the provisions of the RFP. In general, the protest must be submitted in writing to MFA, within five (5) business days after the notice of award. The protest must be written and addressed to the Contact Person listed in the RFP.
- b) 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.
- c) The Offerors receiving notice may file responses to the protest within five (5) business days of notice of the Protest.
- d) The protest is then heard by the applicable ~~Board~~ Committee as outlined in the RFP. The ~~Board~~ Committee's recommendation may is then be taken to the full Board for approval or as specified in the RFP for final approval.
- e) MFA will issue a notice of determination relating to the protest within a reasonable period of time after submission of the protest. The determination by MFA shall be final. No appeal of the determination of the protest shall be allowed.
- f) Offerors and Members of MFA Board of Directors shall not communicate regarding a pending offer or award until the protest period has expired or, in the event there is a protest, until the protest is decided by the Board.

12. **Documentation.** Thorough documentation of all RFPs will be maintained on file by the department procuring the services in accordance with MFA's policies on retention and disposition of records.

- D. **Reimbursement of Travel Expenses.** Reimbursement of successful Offeror(s)' travel expenses will be consistent with MFA travel reimbursement policies.
- E. **Third-Party Code of Conduct.** All Offerors shall agree to conduct themselves in a manner consistent with MFA's Third-Party Code of Conduct. This code of conduct will be included in all RFP and RFQ solicitations and will require signature and submission as part of the Offeror's submittal. See Exhibit F.
- F. **Multiple Small, RFQ and RFP Purchase Selections.** Services and/or Tangible Personal Property purchases of the same nature cannot be artificially divided between multiple service providers or vendors to constitute a small, RFQ or RFP purchase as established in this policy.
- G. **Procurement Utilizing Federal Funds.** All procurement activities involving the expenditure of federal funds must be conducted in compliance with the Procurement Standards codified in Uniform Guidance, 2 C.F.R. Part 200.317 through 200.326 as well as Part 200.327 which addresses contract provisions.

To maintain the small purchase threshold identified in this policy, Section 3.1.B.1 (less than \$50,000), MFA will follow the prescribed process required under the Uniform Guidance, 2 C.F.R. Part 200 to establish a higher threshold than required by the federal regulations for small purchases. This higher threshold is based on internal controls and an organizational risk assessment.

H. **Definitions**

"Authorizations" means the delegations of review and decision-making authority to staff, Board committees and the Board of Directors, as approved by the Board from time to time (see Exhibit E).

"Notice of Funding Availability (NOFA)" is a notice describing the type of funding available on a first come first serve or competitive basis.

"Offeror" is the person or entity who submits a response to an RFQ or RFP.

"Request for Proposal" or "RFP" means all documents, including those attached or incorporated by reference in the Request, used for soliciting proposals.

"Request for Informal Bids," "Request for Qualifications" or "RFQ" means all documents, including those attached or incorporated by reference in the Request, used for soliciting bids under part 3.1.B.2 above.

"Responsible Offeror" means an Offeror who submits a responsive proposal to an RFP, RFQ or informal bid and who has furnished, when required, information and data to prove that their/his/her financial resources, production or service facilities, personnel, service reputation and experience are adequate to make satisfactory delivery of the Services or Tangible Personal Property described in the proposal.

“Responsive Offer” means a proposal which conforms in all material respects to the requirements of an RFP, RFQ or informal bid. Material respects of an RFP, RFQ or informal bid include but are not limited to price, quality, quantity, or delivery requirements.

“Services” means the furnishing of labor, time or effort by a contractor not involving the delivery of a specific product, other than reports and other materials, which are merely incidental to the required performance.

“Tangible Personal Property” means physical property including furniture, fixtures, equipment, and supplies.

I. Disposition or Sale of Tangible Goods

Upon Management’s determination that it is in MFA’s best interest to sell or dispose of personal property or other tangible goods, the following steps will be taken and documented:

1. Management may authorize the sale of the property or goods at either:
 - a) Public auction, or
 - b) Through bids requested in newspaper and/or Internet advertisement/auctions, in which event comparable goods will be priced to determine current fair market value, and the fair market value will be used as the minimum bid; Employees may respond, and the award will be based on the highest bid received; or Management may negotiate the sale of the property or goods to a public school or other public entity;
2. Management may negotiate the sale of the property or goods, or the donation of the property or goods, to a non-profit organization that has as its primary purpose the provision of affordable housing or the aid of indigent persons; or
3. Upon Management’s determination that the goods or property have no resale value, Management may have the property or goods destroyed.

The Board shall be provided notice through the Staff Action Report of the disposition of all property and goods sold or donated.

SECTION 4 - PROGRAM POLICIES

The MFA Board will, from time to time, promulgate and approve formal Program Policies for all ongoing Programs. A complete and updated list of MFA's programs may be found on MFA's website at www.housingnm.org under the Resource tab. The policies and procedures for MFA's programs are incorporated into this manual by reference.

4.1 Single Family Mortgage Loans

MFA has a legitimate, recognized interest in fostering its public purpose as set forth in Section 58-18-2 of the Mortgage Finance Authority Act, in limiting assumptions of its loans to those persons whom the New Mexico Legislature intended to benefit by establishing MFA's public purpose of providing homeownership to persons of low or moderate income who intend to occupy the home as a principal residence.

- A. **Transfer/Assumption.** Single Family Mortgage Loans may be transferred to or assumed by another person so long as the following criteria, among other applicable program requirements and policies, are satisfied:
1. The transferee/assumtor is a "person of Low or Moderate Income" as defined in the single family, homeownership programs.
 2. The transferee/assumtor intends to occupy the mortgaged property as the principal residence of the transferee/assumtor and does so occupy the mortgaged property for a period of time not inconsistent with such intent.
- B. **Occupancy Waiver.** A borrower or assumtor faced with financial hardship may be forced to vacate the mortgaged property within six months of closing but may do so only with a written owner occupancy waiver from MFA. The criteria for granting such a waiver are as follows:
1. Adverse change in the borrower's employment status (i.e., transfer, layoff, demotion);
 2. Adverse change in marital status (i.e., divorce or death of spouse); or
 3. Serious illness affecting borrower or borrower's family.
 4. Other extenuating circumstances in which a financial hardship has been created on the borrower upon discretionary review by the Executive Director/CEO or Chief Officer(s).

The Executive Director/CEO or the Chief Officer(s) have the authority to approve or deny a request for a waiver of the owner-occupancy requirement. If approved, the waiver will have a term of no more than six months unless later extended. The Executive Director/CEO or Chief Officer(s) may also require the borrower to market the property for sale.

Once the borrower has occupied the property for six months, MFA's permission to vacate is no longer required unless otherwise restricted by grantors and/or federal regulations.

4.2 Single Family and Multifamily Acquired Properties (Real Estate Owned "REO")

Occasionally MFA acquires ownership of “real” property through judicial foreclosure action or acquires ownership by accepting a deed-in-lieu of foreclosure (DIL). Multifamily and Single Family Development foreclosures or accepting a DIL requires the Board to be given notice through the Staff Action Report. After MFA acquires title to the property, a market valuation is obtained (unless MFA has obtained a market valuation in the preceding six months) to estimate MFA’s **projected loss amount** (unpaid principal balance plus accrued interest, escrow advances, fees, and other costs; less projected sales proceeds) based on the current property value.

Upon determination of the current market value, staff will obtain necessary approvals⁴ based on the resulting **projected loss amount** to move forward with the marketing and sale of said property.

The purpose of obtaining approval based on **projected loss amount** is to provide MFA staff authorization to list the property at a sale price in line with the current market value. Without required approval prior to listing, the approval process will likely delay MFA’s ability to negotiate a sale and may result in lost opportunities to sell and additional REO holding cost to MFA.

A. **Disposition.** In disposing of said properties, the staff will select a qualified real estate broker; obtain his/her written opinion of the properties' value or an appraisal from a qualified independent fee appraiser⁵. An appraisal is required when the value of the property is 80% or less of MFA's exposure (including cost of repairs and improvements, net of anticipated hazard and/or mortgage insurance claim proceeds). In addition, MFA staff may utilize an auction service provider for the disposition of REO properties. The property disposition strategy is to market properties in such a manner as to:

1. Maximize recovery to MFA by obtaining the highest net realizable value, considering the cost of repairs or improvements and their anticipated effects on marketing time, other liens, maintenance, holding costs and local market conditions.
2. Maximize the benefits available under any policy or policies of mortgage insurance or loan guarantees.
3. MFA will make reasonable efforts to dispose of REO properties quickly and in accordance with MFA’s affordable housing mission. However, in order to expedite the disposition of a property, investor sales offers will be considered.
4. MFA staff will manage the property and the sale of the property in accordance with Investor⁶ and regulatory requirements including oversight of MFA’s sub-serviced REO properties. Regarding multifamily properties, MFA will ensure compliance with special affordability requirements and terms of the multifamily loan documents.
5. MFA staff must obtain prior approval⁷ for repairs or improvements to REO properties.
6. After sale or final disposition of the property, MFA staff will report actual gains or losses to the Board. Losses under \$100,000 will be reported to the Board through the Staff Action Report and losses greater than \$100,000 must be approved by the Board.

⁴ Exhibit E, Policies & Procedures Manual – Delegations of Authority: Approvals and Review Process Requirements

⁵ MFA staff will attempt to obtain at least two (2) valuations from different sources

⁶ HUD, Ginnie Mae, Fannie Mae or Freddie Mac, private mortgage insurers or future investors

⁷ Exhibit E, Policies & Procedures Manual – Delegations of Authority: Programmatic-Related Losses

7. MFA Management will have the authority to negotiate terms and approve final disposition of REO property.

- B. **Reporting.** MFA staff will provide total REO inventory and exposure on a quarterly basis and a complete REO portfolio update on an annual basis to the Board.

4.3 Single Family Second Mortgage Default, Foreclosure, and Deeds in Lieu of Foreclosure (DIL), Short Sales, and Bankruptcies

- A. **Down Payment Assistance.** MFA offers several down payment assistance (DPA) loans. For a complete and updated list of DPA loan programs, please consult MFA's website at www.housingnm.org.
- B. **Down Payment Assistance Loan Defaults.** The following procedures will be followed to maximize recovery and minimize MFA's potential exposure when the DPA loan defaults. All legal notifications and/or proceedings will be forwarded to and handled by MFA's Mortgage Servicing legal counsel regardless of loan balance.
 1. General Fund DPA Loans (Amortizing Loan). As described in MFA Single Family program policy, a default of MFA's first mortgage triggers a default on MFA's second mortgage DPA loan. MFA will be informed of such default by the first mortgage Servicer and/or legal notification (i.e., Complaint for Foreclosure). Upon notification, MFA will forward appropriate documentation to its Mortgage Servicing legal counsel to Answer or Disclaim MFA's interest. The decision to Answer or to Disclaim will be determined by MFA staff after evaluating exposure, loan to value, legal fees, and the likelihood of collection.
 2. DIL/Short Sales. MFA's general fund does not bear a loss on the foreclosure of first mortgages funded with the proceeds of the sale of bonds which have been securitized by a MBS. Under the whole loan programs (first mortgage with pre-1994 bond issues) the bond issue will generally incur a loss of \$1,500 - \$2,000 on an FHA, VA or RHS first mortgage foreclosure. This should be taken into consideration while evaluating the exposure. Therefore, MFA's only concern is the exposure on the General Fund DPA loan. Accordingly, releasing the General Fund DPA loan to accommodate a DIL or Short Sale on the first mortgage will not be automatic. MFA staff should work with the first mortgage Servicer to mitigate the exposure of loss on the property.
 3. HomeNow, Payment\$aver, Helping Hand, and Other federally-funded DPA Loans. MFA will take the same approach with all federally funded DPA loans as it does with General Fund DPA loans. Although they are not funded with General Fund monies, MFA must proceed with due diligence and continued collection efforts and ensure compliance with all applicable program regulations to avoid repayment of funds or audit issues.

DPA loan write-offs and foreclosure approvals⁸ will be handled consistent with MFA's Delegations of Authority.

- C. **First Mortgage Procedures.** MFA follows the foreclosure guidelines⁹ of the U.S. Department of Housing and Urban Development ("HUD") and complies with all state and federal regulatory

⁸ Exhibit E, Policies & Procedures Manual – Delegations of Authority: Programmatic-Related Losses and Foreclosures and DIL

⁹ Timelines and Regulatory Requirements

requirements.

1. **MBS Program.** MFA does not bear any loss on the foreclosure of the first mortgage. Therefore, MFA's only concern is the exposure on the General Fund DPA loan. Accordingly, releasing the General Fund DPA loan to accommodate a DIL or Short Sale on the first mortgage is not normally an option.

Upon notification of foreclosure, foreclosure complaint filed by the Servicer and MFA being served (as second lien holder), MFA will notify its Mortgage Servicing legal counsel to respond to the complaint. Staff will send out demand letters as appropriate and determine the amount of equity in the property by reviewing one or more readily available valuation models and calculating current loan to value to determine the amount of equity.

a) **Options**

- 1) If the review shows sufficient equity to cover principal and interest balance of the first mortgage, principal, and interest balance of the second mortgage, repairs and an additional 10% to cover selling costs, MFA will then bid the amount of the first and second mortgage plus interest and expenses, or take the property into REO, repair and market for sale.
 - 2) If the review shows insufficient equity to cover the principal and interest balance of the first mortgage, principal, and interest balance of the second mortgage, repairs and an additional 10% to cover selling costs, MFA will proceed to evaluate its legal remedies in the foreclosure action, including an assessment of whether MFA should disclaim its interest. The decision to participate in the foreclosure proceeding or to disclaim will be determined by MFA staff after evaluating exposure, loan to value, legal fees, and the likelihood of collection.
2. **Whole Loan Program.** The same procedures outlined above should be followed while keeping in mind that MFA would bear a portion of the loss on the foreclosure due to additional un-reimbursable expenses on government loans. DIL or Short Sales can and should be considered in cases when the exposure on pursuing a foreclosure is greater. Each loan will be different and will be analyzed individually, keeping in mind our goals of maximizing recovery to MFA and minimizing our potential exposure.

- D. **Multifamily Mortgage Procedures.** MFA follows HUD's foreclosure guidelines and complies with all state and federal regulatory requirements; however, staff will be required to inform the Board of any delinquencies exceeding 120 days via the Watchlist.

4.4 Nonaccrual Status of Delinquent Single Family and Multifamily Mortgage Loans

The mortgage loan system automatically accrues interest on all mortgage loans. Once mortgage loans are 90 days or more delinquent, they will be placed on nonaccrual status and interest income will not be recognized. The collection of interest on loans which are on nonaccrual status is considered doubtful.

4.5 Single Family Second Mortgage Write-Offs

MFA General Fund Second Mortgage loans normally go into default as a result of a first mortgage foreclosure, short sale, or deed in lieu. All legal notifications and/or proceedings naming MFA are handled by MFA's Mortgage Servicing Legal Services Attorney. The Attorney will act on MFA's behalf to protect our interest in the property.

- A. **Foreclosure.** When the first mortgage loan is disposed through foreclosure, staff will receive notice and documentation from the attorney of the final outcome of the foreclosure with a recommendation to close MFA's case.
- B. **Short Sale.** Through mortgage industry defined loss mitigation initiatives, the borrower will have the opportunity to sell the property in order to avoid foreclosure. In most instances, the amount of the sales proceeds will not be sufficient to repay MFA's Second Mortgage in full. The first mortgage lender will contact MFA to obtain an approval to accept less than the total amount due and release MFA's lien in order to proceed with the sale.
- C. **Deed in Lieu.** In order to avoid foreclosure, the borrower may opt to deed the property back to the first mortgage lender. In order to exercise this option, all subordinate liens must be removed prior to the acceptance of the deed in lieu by the first mortgage lender. The first mortgage lender will contact MFA to obtain approval to accept less than the total amount due and release MFA's lien to accept the deed in lieu.

Once any of the aforementioned actions has been completed, staff will prepare a write-off recommendation for the remaining unpaid principal balance and include the reason for the write-off. The recommendation will be presented to the Write-off Approval Committee. Write-off approvals will be handled consistent with MFA's Delegations of Authority.

4.6 Single Family DPA Non-Performing Loan Write-Offs.

Non-performing loans for MFA's purposes are defined as second mortgage DPA loans upon which the borrower has not made his or her scheduled payments for at least eighteen (18) months and all collection efforts have been exhausted. A non-performing loan is not in any stage of legal action (i.e., foreclosure or bankruptcy) or in review for short sale or deed in lieu.

- A. Once an MFA second mortgage loan is deemed non-performing, the likelihood that it will be repaid in full are considerably low. However, because these loans are secured by the property, MFA holds a lien on the property which will remain in place until the debt is settled with MFA.
- B. Staff will periodically evaluate Second Mortgage loans that fall under the definition of a non-performing loan. Staff will prepare a write-off recommendation for the remaining unpaid principal balance and include the default status and the reason further collection efforts are futile.

The recommendation will be presented to the Write-off Approval Committee. Write-off approvals will be handled consistent with MFA's Delegations of Authority.

4.7 Single Family HOME Program Loan Write-offs

MFA will take the same approach with HOME funded second mortgage loans as it does with General Fund Second Mortgages. Once a foreclosure, short sale or deed in lieu has been completed, staff will prepare a write-off recommendation for the remaining unpaid principal balance and include the reason for write-off.

The recommendation will be presented to the HOME Program Manager for approval. Write off

approvals will be handled consistent with MFA's Delegations of Authority.

4.8 Allowance for Loan Loss and Contingent Liabilities – Single Family and Multifamily Portfolios

The purpose of the Allowance for Loan Loss Policy is to maintain a systematic, approved approach to calculate an Allowance for Loan Loss reserve to fully cover losses incurred in all loan categories within each portfolio and to emphasize to MFA's Management its significant responsibility to maintain a satisfactory allowance.

Per the Governmental Accounting Standards Board (GASB) Statement 62 if ultimate recovery of the carrying amount of a mortgage loan is doubtful and the impairment is considered to be other than temporary, the carrying amount of the loan should be reduced to its expected collectible amount. Accounting literature provides guidance that the use of historical statistics, present value of future cash flows, a loan's observable market price, or the fair value of the collateral are all valid methods for measuring the impairment.

- A. On at least an annual basis, Management will conduct a thorough analysis of all loan portfolios to determine whether there is any risk of loss. A reserve will be recorded in accordance with generally accepted accounting principles. Consideration factors included in the analysis of each portfolio may include:
 1. Historical loss rates based on a three year look back period
 2. Delinquency history on individual or groups of loans
 3. Property valuation reports
 4. Current Loan to Value
 5. Specialized portfolio analysis
 6. Specific Reserves
 7. Consideration of characteristics inherent to individual portfolios
 8. Consideration of any current economic developments that may affect the portfolio. In addition, Management will review the loan portfolio delinquency and impairment at least quarterly. Adjustments to the allowance for loan loss will be made as needed based on information available to Management.
- B. Loan Portfolios addressed and methodologies used are summarized as follows:
 1. **Single Family Whole Loan Portfolios:** The historical loss rate is used to estimate reserve; if there were no losses incurred during the look back period, no reserve is necessary.
 2. **Multi-Family Portfolios (excluding Risk Sharing Loans):** The historical loss rate is used to estimate reserve; delinquencies are reviewed for the last twelve months and specific identification of impaired loans is reserved.
 3. **Real Estate Owned ("REO"):** The reserve amount is based on the difference between current book value and current property valuation reports. The property valuation reports include Broker's Price Opinion ("BPO"), Broker's Opinion of Value ("BOV") or appraisal; are current within two years; and are prepared by third parties.
 4. **Risk Sharing Loans:** The historical loss rate is reviewed; financial analysis is performed to determine Net Operating Income ("NOI") Value and Liquidation Value and specific identification of impaired loans is reserved.
 5. **Down Payment Assistance ("DPA") Loan Portfolios:** The historical loss rate is used to estimate reserve, except if the first mortgage is non-performing or in foreclosure/bankruptcy. The reserve will be updated monthly because this is an originating

- portfolio that fluctuates monthly. For non-performing loans (defined in section 4.6) and loans with the first mortgage in foreclosure/ bankruptcy, 100% of the outstanding loan balance is impaired and is reserved. Given the risk and economic conditions surrounding the DPA portfolio, the loan loss will be adjusted semi-annually for loans with the first mortgage in foreclosure/bankruptcy.
- C. **Contingent Liabilities:** Occasionally, circumstances in other areas of MFA operations may arise that necessitate a specific reserve to be established. For example, funds on housing programs may be disbursed inappropriately by a sub-recipient, but MFA still bears responsibility for the return of the funds to the funding agency. As soon as these situations are recognized, a specific reserve must be established on MFA's books. All potential liabilities of this nature must be reviewed and disclosed, at a minimum, on an annual basis.
 - D. **Peer Group Comparisons:** As a benchmark, the overall MFA allowance for loan loss as a percentage of loan balances should be compared to a representative Housing Finance Agency and the banking industry for reasonableness.
 - E. **Review/Approval:** The Allowance for Loan Loss analysis for all portfolios is prepared by Accounting Department staff, with support by Housing Development Department staff for the multifamily portfolio. The methodology and results are then reviewed by the Loan Loss Allowance Committee consisting of the Controller, the Director of Servicing, and the Director of Housing Development. The Chief Financial Officer acts as a reviewer and approver before any changes recommended by the Loan Loss Allowance Committee are then submitted for final review and approval by the Policy Committee. Upon completion of the annual loan loss analysis, MFA staff will present to MFA's Contracted Services Committee for review along with REO valuation adjustments.

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) 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 Director of Compliance and Initiatives 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 Director of Compliance and Initiatives 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.

SECTION 6 – REQUESTS TO INSPECT DOCUMENTS

- A. Although MFA is not subject to New Mexico’s Inspection of Public Records Act (Sections 14-2-1 to - 12, NMSA 1978), these procedures are modeled after that statute. When a request to inspect MFA records is received, the following procedures apply.
- B. All requests shall be immediately directed to MFA’s custodian of records who will communicate with the requesting party to coordinate the appropriate response and delivery of records in the same medium in which the custodian received the request. The custodian may provide an additional response to the same request in any other medium the custodian deems appropriate.
- C. A written request, if requesting copies of records for delivery by mail, must have the name and postal service mailing address of the requestor. All requests must provide the telephone number of the requestor and shall identify the records sought with reasonable particularity.
- D. MFA has fifteen (15) calendar days from the receipt of a written request within which to produce the records requested or inform the requester that additional time will be needed to respond to the request. The custodian of records will notify the requestor within three days of receipt of the request of the day the records will be produced, or if the records are either not in the possession of MFA or are exempt under the law from the right of public inspection. If MFA staff or the custodian of records deems the request excessively burdensome or broad, the custodian of records will notify the requestor that additional time to process the request will be necessary. Inspections of records at MFA offices shall be by appointment only.
- E. At its discretion, MFA may charge a reasonable reproduction fee, not to exceed \$1.00 per page for documents eleven inches by seventeen inches or smaller, for reproduction of paper copies of public records requested. In addition, MFA may charge for reproducing in electronic format any public records requested. These fees will be charged in advance and a receipt will be given. In addition to a reproduction fee, MFA will charge a reasonable mailing fee, if applicable, not to exceed MFA’s actual cost of mailing public records requested. It is MFA’s standard practice to provide public records in the form in which they exist at the time of the request.
- F. If the custodian of records denies a written request, he or she will provide the requestor a written denial within fifteen (15) calendar days of receiving the request, stating the reason for the denial of the records sought. The denial will be emailed, mailed, or delivered to the requestor within fifteen (15) calendar days after the written request was received.
- G. MFA may redact personal identifier information as provided for in the New Mexico Inspection of Public Records Act and pursuant to other state and federal law.

EXHIBIT A

DISCLOSURE STATEMENT

To: **NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA)**
CHAIR AND EXECUTIVE DIRECTOR/CEO

From: _____
 (Member, Proxy, Management, Employee)

Date: _____

The undersigned Member, Management or Employee states that he/she has read and understands the New Mexico Mortgage Finance Authority Code of Conduct and that the information provided below is, to the best of his/her knowledge and belief, accurate and complete in all respects, as of the date hereof.

The following is a list of all Businesses in which either I, or a Family Member, have a Financial Interest (as defined in the Code of Conduct) which are engaged or proposing to engage in a Transaction with MFA or that I believe or have reason to believe may be affected by my Official Act or actions. If the answer is **"none"**, please write **"none"**.

Name of Business:

If Employee Transaction, approximate value of the Transaction, if applicable:

The following is a list of all MFA programs or proposed programs that I, or a Family Member (i.e., spouse, domestic partner, children, parents, siblings, grandparents, parents-in-law, brother-in-law or sister-in-law, uncle, aunt, first cousin, or anyone residing in the household), am likely to participate in and/or benefit from, If the answer is **"none"**, please write **"none"**:

Signed: _____

NOTE: Use additional sheets as necessary.

EXHIBIT B**FUNDING COMMITTEE DISCLOSURE STATEMENT**

To: **NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA) - HOUSING DEVELOPMENT**

From: _____
(Funding Committee Member)

Date: _____

RE: [insert funding year] of the [insert name of funding program or trust]

The undersigned __[insert name of Funding Committee]__ member states that he/she has read and understands the New Mexico Mortgage Finance Authority Code of Conduct and that the information provided below is, to the best of his/her knowledge and belief, accurate and complete in all respects, as of the date hereof.

Attached is a list of all entities that have submitted an application in the [insert funding year] funding round of the [insert funding program or trust name].

Of the entities listed above, which are applicants to the [insert funding year] funding round of the [insert name of funding program or trust], I, or a Family Member (as defined in the Code of Conduct), have a Financial Interest (as defined in the Code of Conduct) in the following. If the answer is "none", please write "none".

Name of Business:

Signed: _____

NOTE: Use additional sheets as necessary.

EXHIBIT C**MULTIFAMILY BOND DISCLOSURE STATEMENT**

To: **NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA) - HOUSING DEVELOPMENT**

From: _____
(Member, Proxy, Management, Employee)

Date: _____

RE: **Multifamily Housing Bonds [insert program name(s) and project] Series__ and
Multifamily Housing Bonds [insert program name(s) and project] Series__**

The undersigned Member, Management or Employee states that he/she has read and understands the New Mexico Mortgage Finance Authority Code of Conduct and that the information provided below is, to the best of his/her knowledge and belief, accurate and complete in all respects, as of the date hereof.

The following is a list of all Businesses in which either I, or a Family Member, have a Financial Interest (as defined in the Code of Conduct) which are engaged or proposing to engage in any transaction or enterprise financially related to or in any manner connected with the Multifamily Housing Revenue Bond issue cited above. If the answer is "**none**", please write "**none**".

Name of Business:

If Employee Transaction, approximate value of the Transaction, if applicable:

The undersigned Member, Management, or Employee acknowledges that **it is his/her responsibility to update this Disclosure Form within forty-five (45) days** of the date that he/she acquires an interest in MFA program or transaction as described above or learns of a Family member having or acquiring an interest in MFA program or transaction, as described above.

Signed: _____

NOTE: Use additional sheets as necessary.

EXHIBIT D

CONFIDENTIALITY AGREEMENT

I, _____, presently employed by or currently accepting employment with MFA do hereby accept, consent, and agree to be subjected to the following as a condition of employment:

I understand that during the course of my employment, I may acquire knowledge of confidential and proprietary information, including but not limited to, confidential work product of MFA as well as personally identifiable information (PII) as defined in Section 1.3.J of this manual; any personnel records about any former or current MFA employee; any personal information about any Member, contractor, or sub-grantees, including financial information. This information is confidential and proprietary in nature. I acknowledge that this proprietary and confidential information may not be disclosed to anyone, either inside or outside the scope of my employment, without the specific permission from a member of Management.

I agree not to remove any confidential or proprietary records, files, reports or other confidential or proprietary information from the workplace without prior permission from a member of Management. I agree that no records, files, reports, or other documents may be photocopied, hand copied, or copied electronically for removal from the workplace without the prior written permission from my immediate supervisor. If my immediate supervisor is not available, I must follow the chain of command to obtain approval.

I understand and agree not to divulge to anyone any confidential and proprietary information regarding MFA or any employee, representative, or consultant to this facility, including financial, internal records, reports, investigations, disciplinary matters, and other similar items.

I agree not to use any information obtained through any of MFA's computer systems, software programs, databases, etc. for personal gain or for any purposes other than in conjunction with the performance of my duties. Further I agree not to share confidential or proprietary information obtained through any of MFA's computer systems, software programs, databases, etc. with anyone not employed by MFA. I agree that any confidential information obtained will be shared only with those employees who, by nature of their position(s), should be informed.

I further understand and agree that should my employment cease for any reason, any breach of this Confidentiality Agreement, prior to or after my termination, may result in the filing of a cause of action against me by my employer and that MFA shall have the right to injunctive relief, with no need to post a bond, as well as any other existing rights or relief.

I agree that I am signing this Confidentiality Agreement with full knowledge that any breach of the preceding will be reasonable grounds for immediate disciplinary action being taken against me, up to and including the termination of my employment.

This agreement is made this _____ day of _____, in the year _____,
between MFA ("Employer") and _____,
("Employee").

Employee: _____

Name (print): _____

Signature: _____

Human Resources Representative: _____

EXHIBIT E, Policies & Procedures Manual
 DELEGATIONS OF AUTHORITY: APPROVALS AND REVIEW PROCESS REQUIREMENTS
 As approved by Board (~~51-1729~~/20234)

	ITEM REVIEWED / APPROVED	DIRECTORS APPROVAL REQUIRED	EXECUTIVE DIRECTOR/CEO OR CHIEF OFFICER(S) APPROVAL REQUIRED	POLICY COMMITTEE (2) REVIEW OR APPROVAL REQUIRED	BOARD APPROVAL REQUIRED
1	Programmatic-Related Losses (includes Write-offs, Repairs/Improvements to Property)(1)	Yes, if < \$10,000	Yes, if < \$25,000	Yes, if < \$100,000	Yes, if > \$100,000 or Staff Action
2	MFA to Awardee: Lending/Loans (Initial amount)(2)(13)	Yes, if < \$100,000	Yes, if < \$250,000	Yes, if < \$500,000	Yes, only if > \$500,000
3	MFA to Awardee: General Fund Grant Awards (initial amounts) (4) (9)(13)	Yes, if < 5,000	Yes, if < 10,000	Yes, if < 50,000	Yes, if > 50,000
4	MFA to Awardee: Modifications to Loans (increase over initial amount)(2)(3)(13)	Yes, if >10%	Yes, if >15%	Yes, if < 25%	Yes, if > 25%
5	MFA to Awardee: Modifications of Grants (based Need/Capacity/Timing Constraints) (5)(13)	Yes, if < \$50,000	Yes, if > \$50,000	Yes, if > \$100,000	Staff Action
6	HOME, CDBG, ESG & NHTF (Activity Allocation as Percent of Original Line Item Allocation)	No	No	Yes, up to 25%	Yes, over 25%
7	State Appropriations (Legislative or State Agency)(6)	Yes, if < \$50,000	Yes, if > \$50,000	Yes, if > \$100,000	Staff Action
8	MFA applications for funding and receipt of Awards and/or New Funding Source to MFA	No	Yes, if < \$100,000	Yes, if > \$100,000	Staff Action
9	Disposition or Sale of Tangible Goods	No	No	Yes, All Instances	Staff Action
10	Professional Service Contracts RFP Language Approval and Selection of Vendor(7) (12)	No	No	No	Yes
11	Professional Service Contract RFP Renewals	Yes	Yes	PC Staff Action	No
12	Small Purchases per Procurement Policy (\$1 - \$50,000/ No RFQ Required)	No	Yes, if < \$50,000	PC Staff Action	No
13	RFQ/Informal Bids (Advance and Selections Approvals) for all procurement, modifications and renewals	No	Yes, RFQ needed Approval between \$50,001 - \$75,000	Yes, RFQ needed Approval between \$75,001 - \$200,000	Yes, if > \$200,000 or Staff Action if below \$200K
14	Emergency, Limited Source, State Contract (Per individual contract limit – No RFQ Required)	Yes if <=\$50,000	Yes, if between \$50,001 - \$75,000	Yes, if between \$75,001 - \$200,000 or Staff Action if below \$75K	Yes, only if >\$200,000 or Staff Action if below 200K
15	All Programmatic RFP Language Approved and Selection of Vendor (12)	No	No	No	Yes
16	All Programmatic RFP Contract Renewals	No	Yes	PC Staff Action	No
17	Regional Housing Authorities: Approval of Contracts and MOUs over \$100,000 (does not include real estate transactions or MFA funds)(Note: Contracts <100K do not require MFA approval)(14)	No	No	Yes, for any amount over \$100,00	Staff Action
18	Program Policies (8)	No	No	No	Yes
19	Notice of Funding Availability (NOFA) Language and Selection of Vendor(s) (All other funding sources except for NMHTF (16)	No	No	No	Yes
20	Consolidated and Action Plans (HOME)	No	No	No	Yes
21	State Plan Approval and allocation of DOE Funds (9)	No	No	No	Yes
22	NMHTF Recurring Funds (11)(16) <ul style="list-style-type: none"> Annual Plan to Encumber Funds Funded Programs including Program Guidelines Notice of Funding Availability (NOFAs) and Requests for Proposals (RFPs) Language and Selection of Vendor(s) 	No	Yes	Yes	Yes
23	NMHTF Selection of Service Providers and Individual Project Awards and Programmatic Award Modifications Notifications for RFPs (15)	No	Yes No	Yes	Staff Action-Yes
24	NMHTF Selection of Service Providers and Programmatic Award Notifications for NOFAs (17) Servicing	No	No	Yes	Monthly Report
24	Foreclosures and Deeds in Lieu of Foreclosure - Multi Family and Single Family Development	No	No	Yes	Staff Action
25	Individual Loan Modifications Housing Development	Yes	No	No	No
26	LIHTC QAP and Awards (10)	No	No	No	Yes
27	LTTF Awards (11)	No	No	No	Yes

28	LTF Award Modifications (3)	No	No	Yes	Staff Action
29	All Other HD Loan/Grant Programs (HOME, NHTF, NMHTF)	Yes, if < \$100,000 (Loan) Yes, if < \$5,000 (Grant)	Yes, if < \$250,000 (Loan) Yes, if < \$10,000 (Grant)	Yes, if < \$500,000 (Loan) Yes, if < \$50,000 (Grant)	Yes, only if > \$500,000 (Loan) Yes, if > \$50,000 (Grant)

- (1) Notice, including final REO losses, are to be provided to the Board at the following month's meeting through the Staff Action report. A member of management has the authority to negotiate sales terms and final disposition.
- (2) If at the time of the approval, the borrower's outstanding obligations to MFA and commitments by MFA exceed \$5 million (measured in commitments), approvals by Policy Committee, Committee and Board will be required regardless of the current or proposed increased loan approval amount. If at the time the original loan approved by the Board authorizes staff to increase the loan by up to 10%, an increase within this amount would not need to go back to Committee or the Board for approval regardless of whether total outstanding obligations to MFA and MFA commitments exceed \$5 million. Home Ownership Director is authorized to purchase single family loans up to \$300,000 threshold as long as the loans are an acceptable risk to MFA or if due to MFA or subservicer error and not the fault of the lender.
- (3) Modifications to loans over the initial amount only need approval if it exceeds the original loan amount.
- (4) These grants are funded through the general fund.
- (5) For grants, please consult funder/funding guidance for modification/reallocation.
- (6) Presentation to the Board at the discretion of MFA's ED/CEO.
- (7) This applies to the following professional services: bond underwriter, legal and bond counsel, sub-servicer, lobbyist, trustee, architects, engineers, and auditors, all of which require approval by the Board. Includes contracts for services paid from the MFA General Fund.
- (8) Once the Board has initially approved the Program policies, the implementation of program policy changes mandated by funding agency do not require Board approval. Staff actions or presentation is at the discretion of MFA's Executive Director/CEO.
- (9) DOE Formula accounts for census population, poverty rates, heating/cooling days in allocating of funding.
- (10) Exceptions granting staff authorization as stated in QAP, including granting staff authorization to award credits to tax exempt bond projects. Competitive cycle awards are recommended by outside Advisory committee.
- (11) By Statute, NMHTF and LTF project applications or program guidelines are presented for recommendation by outside Advisory Committees.
- (12) If the RFP's selected vendor has been approved by the Board, then Director may sign contract.
- (13) The term Awardee includes: Subrecipients, individual households and borrowers.
- (14) The Board will review and approve real estate transactions involving the Regional Housing Authorities.
- ~~(15) Once the annual plan to encumber funds has been approved by the Board, MFA Management and staff may allocate funds to awardees for individual projects without additional approval by the Board. This includes both competitive or needs-based awards. The Board will be given notice of individual project awards through the monthly Staff Action report.~~
- ~~(16)~~ (15) Once the NOFA language has been approved by the Board, MFA Management and staff may designate funds for individual projects.
- (16) The Executive Director/CEO or Chief Officers and Policy Committee shall review and approve before final approval of the Board.
- (17) Staff will provide NMHTF NOFA awardees, awards, and expenditures via the Monthly Reports.

NOTE: Delegations for Directors and Chiefs are capped at the lower end of the delegated authority or approved budget.

NOTE: Directors and Chiefs will provide Staff Actions to PC for all items approved and Staff Actions will be provided to the Board as noted above.

EXHIBIT F

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/CEO, 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/rfps/rfps-rfqs>
 - Providing gifts and entertainment to any MFA Employee, MFA Management or MFA Member in an attempt to improperly influence MFA business decisions.

MFA shall not enter into any Transaction with a former MFA Member or former MFA Management for a period of one (1) year after such person ceases to be an MFA Member or

MFA Management, except with prior approval of a disinterested majority of all current MFA Members.

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

- E. Anti-Discrimination and Anti-Harassment Policy.** MFA is committed to maintaining an employment environment in which all individuals are treated with respect and dignity and expects the same from Third Parties doing business with MFA. MFA expects that Third Parties will maintain a workplace where employment-related decisions are based on performance, ability, or other legitimate, non-discriminatory bases and are never based on race, color, national origin, ancestry, citizenship status, religion, sex, sexual orientation, gender identity, age, physical or mental disability, serious medical condition, marital status, status with regard to public assistance, veteran status, or any other legally-protected status.

MFA also maintains and expects Third Parties to maintain a workplace that is free of unlawful harassment. This includes harassment based upon any of the above legally protected status (such as age, sex, religion, national origin, etc.) and which creates an intimidating, hostile, or offensive working environment. This also includes sexual harassment which is defined as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual; or such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidated, hostile, or offensive working environment.

MFA will also not tolerate any form of unlawful discrimination or harassment of an MFA Employee by any Third-Party including by its employees, owners, managers, members, directors, agents, or representatives.

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

To the extent necessary for a Third Party to share MFA's confidential or proprietary information with a sub-contractor, MFA expects the Third Party to implement adequate controls at a level no less than those set forth in this Third-Party Code of Conduct with such sub-contractor. Third Parties must not infringe upon the intellectual property rights of other companies or organizations.

Third Parties must return all confidential and proprietary information in their possession to MFA when the contractual relationship between MFA and the Third Party has terminated, unless otherwise specified by contract. The obligation to protect MFA's confidential and proprietary information continues even after any business relationship between MFA and the Third-Party ends.

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

- G. Onsite Visitor Requirements.** While on MFA's premises, Third Parties must comply with all MFA rules and procedures, including security measures and requests. These may include but are not limited to:
- Registering with reception.
 - Accessing only authorized areas unless accompanied by an MFA Employee.
 - Promptly reporting known security violations and property loss or damage.
 - Complying with all MFA facility requirements, including maintaining a substance-free and violence-free workplace.
 - Any public health and safety policies in effect, including wearing a face mask.
- H. Compliance with Laws, Regulations, Policies and Procedures and Contracts.** All Third Parties must comply with all applicable state and federal laws, codes, and regulations and MFA's policies and procedures to the extent applicable to the Third-Party and must not violate any terms and conditions established by contract with MFA.
- I. Business Integrity.** Any and all forms of illegal or inappropriate activity by a Third-Party doing business with MFA, including, but not limited to, corruption, misrepresentation, extortion, embezzlement, or bribery, are strictly prohibited and may result in termination of any or all agreements with MFA.

OFFEROR ACKNOWLEDGMENT

DATE

New Mexico Mortgage Finance Authority

3rd Party Sender ACH Audit

December 2023



EDWARDS VALEN & ASSOCIATES, LLC
Financial Institution Consultants
a division of Edwards Thrash & Associates, LLC

New Mexico Mortgage Finance Authority ACH Audit

December 2023

Scope

3rd Party Sender ACH Audit

Pursuant to the Banks request, an annual 3rd Party Sender review consistent with the following scope of work was performed. The audit program was written to follow the 2023 NACHA Rule book. This review is not intended to detect fraud, however, should any irregularities come to our attention, and we will immediately provide this information to management.

Area under Review	Prior Rating	Current Rating
Review the controls associated with 3 rd Party Sender ACH processing as it relates to compliance with NACHA.	Satisfactory	Satisfactory

Findings & Recommendations

Findings are prioritized with the following:

- **High** – These findings are areas where risk is at an unacceptable level and must be addressed immediately.
- **Moderate** – These findings are important and should be addressed within the next 12 months.
- **Low** – These are recommendations that will improve an already satisfactory policy, procedure, process, or environment.

ACH

Scope:

An ACH audit was conducted beginning Off-Site December 2023. ACH procedures were reviewed. Julie Halbig and ACH Staff were interviewed with respect to ACH procedures. The NACHA Audit Rules for 2023 were used as the work program. The changes to the rules which were effective 2023 were included in the review.

A complete ACH 3rd Party Sender audit intended to comply with the requirement of the NACHA rules was conducted.



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New Mexico Mortgage Finance Authority
ACH Audit

December 2023

Audit Requirements for All Participating DFIs

Record Retention

Verify that a Record of each Entry is retained for six years from the date the Entry was Transmitted, except as otherwise expressly provided in these Rules. Verify that a printout or reproduction of the information relating to the Entry can be provided, if requested by the Participating DFI's customer or any other Participating DFI or ACH Operator that originated, Transmitted, or received the Entry. (Article One, Subsection 1.4.1 and 1.4.2)

Finding: **Compliant**

Action Items / Exceptions / Concerns

All records are stored electronically form for 3 years for Servicing and 7 years for Accounting.

1. **Recommendation** is to keep all records are kept electronically for at least 6 years and all paper records are kept on-site for the prior 2 years.

Request list item #4

Electronic Records

When a Record required by these Rules is created or retained in an Electronic form, verify that the Electronic form

(a) accurately reflects the information in the Record, and (b) is capable of being accurately reproduced for later reference, whether by Transmission, printing, or otherwise. (Article One, Subsection 1.4.3)

Finding: **Compliant**

Action Items / Exceptions / Concerns

Request list item #4



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New Mexico Mortgage Finance Authority
ACH Audit

December 2023

Previous Year Audit

Verify that the Participating DFI conducted an audit of its compliance with the Rules in accordance with Appendix Eight (Rule Compliance Audit Requirements) for the previous year. (Article One, Subsection 1.2.2)

Finding: **Compliant**

Action Items / Exceptions / Concerns

The 3rd Party Sender has reviewed the prior years audit.
Request list item #9

Internal ACH Risk Assessment

Finding: **Compliant**

Action Items / Exceptions / Concerns

The 3rd Party Sender has done the annual Internal ACH Risk Assessemnt.
Request list item #18

Encryption

Verify that required encryption or a secure session is used for banking information Transmitted via an Unsecured Electronic Network. (Article One, Section 1.7)

Finding:

Compliant

Action Items / Exceptions / Concerns

All ACH transaction sent thru Treasure Management System are 128-bit encryption



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New Mexico Mortgage Finance Authority ACH Audit

December 2023

Security of Protected Information

Verify that the Participating DFI has established, implemented and updated, as appropriate, security policies, procedures and systems as required by Article One, Section 1.6. (Article One, Section 1.6)

Finding: **Compliant**

Action Items / Exceptions / Concerns

All information is secured by having a secured building, system security protocol required by NACHA Rules, and all data or documents are encrypted or stored in a secure location.

Request item #19

Audit Requirements for ODFIs

Originator Agreements

Verify that the ODFI has entered into Origination Agreements with all Originators or Third-Party Senders that bind the Originator or Third-Party Sender to these Rules; that authorize the ODFI to originate entries on behalf of the Originator or Third-Party Sender; that, within such agreements, the Originator or Third-Party Sender acknowledges that Entries may not be initiated the violate the laws of the United States; that includes any restrictions on types of Entries that may be originated; that includes that the Third-Party has entered into an agreement with each Originator and that such agreements include the right of the ODFI to terminate or suspend the agreement for breach or the Rules, and the right of the ODFI to audit the Originator's, the Third-Party Sender's and the Third-Party Sender's Originators' compliance with the Origination Agreement and the Rules. With respect to IAT Entries, verify that agreements contain all necessary provisions. (Article Two, Subsections 2.2.2.1, 2.2.2.2, and 2.5.8.3)

Finding: **Compliant**

Action Items / Exceptions / Concerns

Reviewed originator's contract and TPS contract with clients.

Request list #2a & 2d



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New Mexico Mortgage Finance Authority
ACH Audit

December 2023

Exposure Limits

Check to make sure that the TPS has set exposure limits on their Clients.

Finding: **Compliant**

Action Items / Exceptions / Concerns

The NM Mortgage Finance Authority does not require exposure limits since they are processing mortgage payments and Accounts payable transactions.

Return Entries and Extended Return Entries

Verify that the ODFI accepts Return Entries and Extended Return Entries that comply with these Rules and that are Transmitted by the RDFI within the time limits established by these Rules. Verify that dishonored Return Entries are Transmitted within five Banking Days after the Settlement Date of the Return Entry and that contested dishonored Return Entries are accepted, as required by these Rules. Verify that the ODFI is using Return Reason Codes in an appropriate manner. (Article Two, Subsections 2.12.1, 2.12.5.1, 2.12.5.3; Appendix Four)

Finding: **Compliant**

Action Items / Exceptions / Concerns

All returns are processed when received.
Request Item

Notifications of Change

Verify that information relating to NOCs and Corrected NOCs is provided to each Originator or Third-Party Sender within two Banking Days of the Settlement Date of the NOC or Corrected NOC in accordance with Appendix Five (Notification of Change). For CIE and credit WEB Entries, verify that information relating to NOCs and Corrected NOCs is provided to any Third-Party Service Provider initiating such Entries on behalf of the consumer Originator. Verify that refused NOCs are Transmitted within fifteen (15) days of receipt of an NOC or corrected NOC. (Article Two, Subsections 2.11.1 and 2.11.2)

Finding: **Compliant**

Action Items / Exceptions / Concerns



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New Mexico Mortgage Finance Authority
ACH Audit

December 2023

All NOC's are processed when received and verified.

Uniform Commercial Code 4A

Verify that the ODFI has provided the Originator with proper notice to ensure compliance with UCC Article 4A with respect to ACH transactions. (Article Two, Subsection 2.3.3.2)

Finding: **Compliant**

Action Items / Exceptions / Concerns

Part of the Originator's Agreement Request list #2a

Verification of Clients

Verify that the TTS has utilized a commercially reasonable method to verify the identity of each Client.

Finding: **Compliant**

Action Items / Exceptions / Concerns

Return Rate Information

Verify that the ODFI has reported Return Rate information on each Originator or Third-Party Sender, as requested by the National Association. (Article Two, Subsection 2.17.2)

Finding: **Compliant**

Action Items / Exceptions / Concerns

Return rate information is provided by the ODFI.

Keeping Originators Informed

Verify that the ODFI has kept Originators and Third-Party Senders informed of their responsibilities under these Rules. (Article Two, Section 2.1)

Finding: **Compliant**



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New Mexico Mortgage Finance Authority
ACH Audit

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Action Items / Exceptions / Concerns

The organization does the originating for the other companies & individuals thus they do not send out formal documentation about the current NACHA rules.

ACH bank training for Employees

Finding: **Compliant**

Action Items / Exceptions / Concerns

The Organization does employee in a face to face hands on basis.

Included are 1 additional document for ACH Risk Assessments

This report is provided for the exclusive use of the management of NM Mortgage Finance Authority and should not be shared with any outside party, other than the bank's regulators or auditors, without our express written consent.

Respectfully submitted,



M. Scott Edwards
Managing Partner



EDWARDS VALEN & ASSOCIATES, LLC
Financial Institution Consultants
a division of Edwards Thrash & Associates, LLC



MEMO

TO: MFA Board of Directors
Through: Finance Committee January 9, 2024
Through: PC Committee January 2, 2024

FROM: Jeff Payne, Chief Lending Officer

DATE: January 17, 2024

SUBJECT: Lender Compensation for Native American, Single Family Programs

Recommendation

Staff requests a change to Single family loan program policies to allow up to an additional one percent (1.0%) of the loan amount be paid to participating mortgage lending companies for the sale of Native American loan programs, including but not limited to HUD 184 loans, to MFA.

BACKGROUND

MFA compensates participating program lenders for each loan that is purchased by MFA. The compensation has varied over the years. Currently, MFA pays lenders a 1.5% servicing released premium (SRP) and a 1% origination fee for a total of 2.5% of the loan amount. Lenders may also charge borrowers a .5% origination fee. This request would allow lenders to be paid an additional 1% (a total of 3.5%) for loans on native land.

Year	SRP	Origination Fee	Lender Compensation
2001	1.82%	1% origination, borrower paid	2.82%
2013	1.50%	1% origination, borrower paid*	2.50%
2018	1.50%	1% origination paid by MFA + 0% discount	2.50%
Current	1.50%	1% origination paid by MFA + optional .5% origination, borrower paid	2.5% to 3.0%
Proposal for Tribal Land	1.50%	2% origination paid by MFA + optional .5% origination, borrower paid	3.5% to 4.0%

*(0% origination and 0% discount fee option was also offered. MFA paid lender SRP+ 1% in all cases)

DISCUSSION

MFA sees relatively few loans utilizing programs for Native American homebuyers, especially on tribal land. Loan programs offered by HUD, or the Government Sponsored Enterprises (GSEs) are complex because title to property is not held fee simple. The tribe retains ownership of the property and records must be searched at the Bureau of Indian Affairs (BIA) to determine if property is free from competing claims. This is time consuming and unfamiliar to most lenders. The HUD 184 loan program offers better terms in the form of mortgage insurance premiums for tribal members than programs generally available. Fannie Mae has been seeking participation by the tribes and lenders in their own efforts to lend on tribal land.

Staff seeks to incent lenders to originate these loans for Native American home buyers on tribal land so tribal members may take advantage of the loan program and the homebuyer assistance that MFA offers. Staff did outreach to participating lenders and found that although many were not interested in originating HUD 184 loans, some did have interest and indicated that the additional compensation would help offset the increased origination cost of these loans due to the complexity.

The potential benefit of this proposal is that lenders would better be able to offset their costs and break even or realize a small profit on these loan programs sold to MFA. Mortgage lending companies face challenges in originating loans profitably in today's economic environment. Depending on company policy and regulations governing loan officer compensation, the additional compensation offered by MFA may or may not be passed on in whole or in part to originating loan officers. MFA staff believes that if lenders do more of these targeted loan programs, they will become more familiar with the process and create capacity to expand the number of loans offered to Native American homebuyers in New Mexico.

One of the anticipated impacts of this proposal to MFA would be an increase in resources needed for lender compensation. First, participating lenders have originated very few HUD 184 loans for sale to MFA for the past several years. Second, none of those loans have been on tribal land. Staff anticipates that the impact on the lender compensation expense will be very low to begin with. Staff believes that the eventual added expense to MFA operations will not be prohibitive if the program becomes better utilized and will be very worthwhile.

SUMMARY:

Staff requests approval to increase participating lender compensation by 1.0% to a total of 3.5% for single family mortgage loans originated on tribal land.



MEMO

TO: MFA Board of Directors
Through: Board Committee - January 9, 2024
Through: PC Committee – January 2, 2024

FROM: Dolores Wood, Human Resources Director

DATE: January 17, 2024

SUBJECT: 2024 Employee Manual Revisions

Recommendation: Staff recommends approval of proposed revisions to the Employee Manual.

Background: Annually, the MFA Employee Manual is reviewed and updated. The Employee Manual is revised as needed for changes related to compliance, audit findings, clarifications, legal requirements, and changes in general practices.

MFA's Attorney reviews the manual annually and the last evaluation was performed by Quentin Smith at Stelzner Law Firm in December 2023.

After approval from the Board level, each individual staff member is given a revised Employee Manual with outlined revisions and the manual will be posted on MFA's Intranet.

Discussion: The revisions in the employee manual are minor in nature. The following is a summary of necessary changes incorporated for consideration:

Page #	Policy	Change
Page 11	Background Checks	Language updated from may be subject to a background check will be subject to a background check.
Page 15	New Employee Orientation	Added the training assignment duty to the HR Coordinator
Page 20	Telecommuting	Added clarifying language as it relates to new employees and telecommuting privileges.
Page 21	Lunch Breaks	Language added to require exempt employees to take lunch breaks daily when possible.
Page 24	Acceptable Use and Data Security	Smartphone policy added to ensure those who own a personal smartphone and require access to MFA issue email must have the installation of endpoint protective software and the has been configured and secured by IT

Page 33	Bonus in Lieu of Merit	Added actual payout timing of redline bonuses.
Page 38	Educational Assistance	Added language to require a payback agreement for those employees requesting educational assistance reimbursement.
Page 38	Costco/Sams	Added language to address the conditions of reimbursement.
Page 43	Vacation	Revised vacation accruals to five-year increments
Page 43	Part Time Employees	Added language to outline the timeframe MFA will use when paying for part time employee benefits.
Page 48	Holidays	Added clarifying language to holidays that fall outside the workweek.
Page 72	Personnel Files	Removed language regarding the removal of personnel files as this is no longer applicable.

Summary: Annually, the MFA Employee Manual is reviewed and updated. The Employee Manual is revised as needed for changes as it relates to compliance, audit findings, clarifications, and changes in general practices.



EMPLOYEE MANUAL
&
POLICIES AND PROCEDURES MANUAL

JANUARY ~~2023~~2024

Employee Manual

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INTRODUCTORY STATEMENT

The statements and policies contained in this Employee Manual (Manual) constitute guidelines for the New Mexico Mortgage Finance Authority (MFA) and its employees. MFA's Executive Director/CEO reserves the right and retains sole, absolute discretion to make unilateral exceptions to these guidelines in instances it deems appropriate to do so. Any statements contained in this Manual may be altered, amended, or dispensed with entirely, or new policies added, at any time and without advance notice by MFA. Changes or additions, if any, to the Manual shall be made only in writing and approved by MFA's Board of Directors (Board).

This Manual is not a contract of employment, nor is any provision in it meant to be part of any contract of employment either expressed or implied. Employment with MFA is at all times established as employment "at will." This means that either the employee or MFA may terminate the employment relationship at any time, for any or no reason, and with or without advance notice. No employee or supervisor of MFA, other than the Executive Director/CEO or his/her designee in writing, has the authority to enter into any agreement for employment for any specified period, or to make any agreement contrary to the provisions set forth in this Manual.

The statements and policies contained in this Manual and as implemented or revised from time to time shall become effective as approved by the Board of MFA and as disseminated to employees. This Manual supersedes and replaces all previously distributed editions of MFA's Employee Manual.

MFA MANDATE, VISION, MISSION, CORE VALUES AND EMPLOYER STATEMENT

MFA Mandate

In 1975 the New Mexico state legislature created the New Mexico Mortgage Finance Authority, a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low or moderate income within the state.

Vision Statement

All New Mexicans will have quality affordable housing opportunities.

Mission Statement

MFA is New Mexico's leader in affordable housing. We provide innovative products, education and services to strengthen families and communities.

Core Values

Responsive

To meet New Mexico's needs, MFA optimizes resources, cultivates partnerships and makes our programs accessible.

Professional

MFA upholds high personal and professional standards. We comply with regulations and ensure prudent financial stewardship.

Dynamic

MFA is a dynamic place to work. Our employees are our strength. We embrace diversity and provide opportunities for personal and professional growth.

Employer Statement

Our employees are key to our success. Each day presents new challenges as we are called upon to develop solutions that satisfy multiple cultural values and meet the rapidly changing environment.

MFA strives to provide safe working conditions; to pay competitive wages for employees' services; to deal fairly and honestly with all employees; and to promote a harmonious and friendly working environment.

Our goal is to provide the highest level of service, friendliness, and courtesy to all those we do business with; to promote and advocate sound financial decisions; and to create a rewarding working environment for our employees where there is mutual respect, trust, and opportunity for personal and professional growth and development.

Equal Employment Opportunity Statement

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at MFA will be based on qualifications, abilities, and merit. It is the policy of MFA to recruit, employ, and provide compensation, benefits, promotion, training and other conditions of employment, without regard to an applicant's or an employee's race (including on the basis of traits historically associated with race, such as hair texture, length of hair, protective hairstyles, or cultural headdresses), color, religion, sex, national origin, ancestry, age, disability, serious medical condition, sexual orientation, gender identity, marital status, genetic information, status as a veteran, or any other factors identified and protected by federal, state, and local discrimination laws. This Equal Employment Opportunity statement is consistent with the requirements of the Cranston-Gonzales National Affordable Housing Act.

The Americans with Disabilities Act (ADA) & ADA Amendments Act (ADAAA)

The ADA of 1990, as amended by the ADAAA, protects qualified employees and applicants with disabilities from discrimination by employers based on their disabilities.

MFA does not discriminate against people with disabilities or serious medical conditions and will provide reasonable accommodation to otherwise qualified individuals with disabilities, including pregnant employees who are temporarily disabled or who have an impairment resulting from pregnancy, in accordance with the ADAAA.

A reasonable accommodation may be provided when it enables the employee to perform the essential functions of the job, unless it can be demonstrated that such an accommodation will impose an undue hardship on the conduct of the business at MFA. Such reasonable accommodation may take the form of making existing facilities readily accessible or usable to qualified individuals with a disability, restructuring jobs, modifying schedules, acquiring or modifying equipment, adjusting training materials, adjusting employment policies, and the like. In determining the extent of accommodations to be made, MFA may consider the business necessity of having employees with certain qualifications in certain jobs, and the financial and administrative costs of making requested accommodations.

The Human Resources Director is designated as the ADA Coordinator. Employees have a responsibility to notify the ADA Coordinator if they feel in need of a reasonable accommodation, or if they believe MFA is in violation of the ADAAA.

HIRING POLICIES & PROCEDURES

Hiring Procedures

The following rules and procedures will be followed in the hiring process:

- It is the responsibility of managers to recommend filling or creating a position.
- All prospective applicants must complete an employment application. The hiring process, including all interviews, will be conducted in a non-discriminatory manner.
- If employment fees are involved, such as those charged by a placement agency, the payment or non-payment will be determined by Management on an individual basis prior to a job offer being extended. As used in this Manual, the term “Management” is defined as the Executive Director/CEO, Chief Officers, and the Human Resources Director.
- Through a third party, MFA will check references of applicants prior to a job offer being extended, MFA will only conduct pre-employment background checks of applicants consistent with guidelines issued by the Equal Employment Opportunity Commission (EEOC) and consistent with applicable state and federal law. If employment already has commenced, continued employment may be contingent upon results of the background check.
- MFA relies on the accuracy of data provided by an applicant including that in the employment application. Any misrepresentations, falsifications, or material omissions in any of the data provided by an applicant, including in an employment application, may result in an applicant being excluded from further consideration for employment or, if an individual has already been hired, termination of employment.
- MFA may administer tests applicable to the position; provided, however, that all applicants for a position will be given the same test or tests.
- The Human Resources Director will recommend the appropriate salary to be offered and other terms and conditions of employment for final approval from the Executive Director/CEO.

Background Checks

MFA is committed to having well-qualified and professional staff capable of performing the essential functions of the positions for which they were hired. MFA also is committed to the protection of all those who do business with MFA including clients, members of the community, staff, visitors, and others as well as to the protection of its resources, finances, and business reputation. All employees may will be subject to background checks, ~~at the discretion of MFA.~~ Checks may include, but not necessarily be limited to, checking driving records, educational records, criminal records, and credit history. Background checks will be done in compliance with guidelines issued by the EEOC and applicable state and federal laws.

Employment of Relatives

MFA is committed to a policy of employment and advancement based on qualifications and merit and does not discriminate in favor of or in opposition to the employment of relatives. MFA also wants to ensure that its employment practices do not create situations such as conflict of interest or favoritism based on employment of relatives. Therefore, relatives, partners, those in a dating relationship, or members of the same household are not permitted to be in positions that have reporting responsibility to each other, nor are they permitted to have any influence (direct or indirect) on the hiring, promotion, pay, discipline, or any other material terms and conditions of employment of each other.

The term “relative” for purposes of this policy means spouse, domestic partner, children (including stepchildren), mother, father, brother, sister, grandparent, mother-in-law, father-in-law, brother-in-law, sister-in-law, aunt, uncle, or first cousin.

Individuals will not be hired or promoted into a position that would create a violation of this policy. If employees begin a dating relationship or become relatives, partners, those in a dating relationship, or members of the same household, and one party is in a supervisory position, the person in the supervisory position is required to immediately inform the Executive Director/CEO and/or the Human Resources Director of the relationship. MFA will then strive to resolve the situation within thirty (30) days. The resolution may include transfer or, if necessary, termination of one of the employees.

If there is a situation where an action of MFA, such as a reorganization or a reduction in force, results in an involuntary circumstance in which relatives, partners, or members of the same household may be reporting to each other, MFA will strive to reassign one of the employees within thirty (30) days. During those thirty (30) days, the supervisory employee cannot provide direct input in any employment decisions involving the other employee.

MFA reserves the right to apply this policy to situations where there is a conflict or the potential for conflict because of the relationship between the parties, even if no reporting relationship or authority is involved. In these situations, MFA will strive to reassign one of the employees within thirty (30) days.

Any exceptions to this policy must be approved by the Executive Director/CEO and Human Resources Director. Written justification for the exception ~~for the exception~~ must be submitted to the Human Resources Director prior to any employment decisions. Moreover, the hiring and/or promotion of any relative, partner, or member of the same household of the Executive Director/CEO must be approved by the MFA Board.

Any employee who violates this policy, including by hiring, promoting, or influencing any employment decision involving a relative, partner, or member of the same household, will be subject to discipline, up to and including termination of employment.

HUD-FHA Programs

Any individual, who is debarred, suspended or subject to a Limited Denial of Participation or otherwise restricted from participation in HUD-FHA programs will not be hired into HUD origination, underwriting or servicing type positions with MFA. All employees will be checked against the Debarred List and the Limited Denial of Participation List at date of hire and semi-annually thereafter. Continued employment will be contingent upon results obtained.

TYPES OF EMPLOYMENT

MFA classifies employees into the following categories for purposes of determining their eligibility to receive benefits and whether they must be paid overtime compensation in accordance with the Fair Labor Standards Act (FLSA):

Full-Time Employee

An employee who is hired for an indefinite period, and who is scheduled to work forty (40) hours per workweek and eighty (80) hours per pay period, and two thousand and eighty (2080) hours annually on a regular basis. Full-time employees are eligible for employee benefits.

Part-Time Employee with Benefits

An employee who is hired to work twenty (20) hours or more per week but less than forty hours (40) hours per workweek on a regular basis. Part-time employees with benefits are eligible for certain employee benefits as described in this Manual.

Part-Time Employee without Benefits

An employee who is scheduled to work less than twenty (20) hours per workweek on a regular basis is not eligible for any employee benefits, except for sick leave.

Temporary Employee

An employee who is assigned to MFA by a temporary staffing agency. Temporary employees are not eligible for any employee benefits, except for sick leave.

Term Employee

An employee who is hired by MFA for a specific amount of time. Term employees may be eligible for employee benefits. The hiring of a term employee and the conditions of the employment must be reviewed by policy committee with final approval by the Executive Director/CEO.

Exempt Employee

An employee whose position meets specific tests established for exemption from overtime pay requirements under the FLSA. Exempt employees are not eligible for compensatory time or overtime. Exempt employees are expected to work whatever hours are necessary to perform the duties of their positions. From time-to-time and in certain situations, exempt employees may be permitted to work from home.

Nonexempt Employee

An employee whose position does not meet FLSA exemption tests and who must be paid, at the rate of time and a half, of his/her regular rate of pay for all hours worked in excess of forty (40) in one workweek, as required by federal and state law.

Outside Employment

Any employee wishing to engage in outside employment (including self-employment) while employed by MFA must obtain the approval of the Executive Director/CEO prior to accepting outside employment and must be approved by the Executive Director/CEO on an annual basis. Anyone already engaged in outside employment must disclose this upon hire. The MFA Board

must approve any outside employment by the Executive Director/CEO prior to his/her accepting such employment.

In addition to the above categories of employees, MFA may, from time to time, use

Independent Contractors to provide specific products or services. All Independent Contractors will work under a detailed Independent Contractor Agreement which will meet the requirements for an independent contractor relationship as set out by the Internal Revenue Service (IRS). Independent Contractors are not employees of MFA and, therefore, are not eligible for employee benefits.

NEW EMPLOYEE ORIENTATION

Responsibilities for orientation of new employees are as follows:

Human Resources will provide the new employee a comprehensive Organizational Orientation with all of management.

Human Resources Coordinator's Responsibilities

- Completing all pertinent paperwork
- Entering all required payroll data
- Providing job descriptions
- Providing Employee Manual
- Explaining the employee benefits plans
- Assigning required training through MFA's Learning Management System
- Setting a first day agenda
- Photographing new employee and sending to respective supervisor
- Notifying the Facilities Coordinator for access to building
- Notifying the Information System's department, via work ticket, for computer and phone access

Supervisor's Responsibilities

- Announcement to all MFA employees informing them of the new hire and start date, via intranet.
- Giving employees a tour of the office and introducing employees to all other employees
- Review and obtain signatures on Job Description
- Setting Goals
- Reviewing Employee and Policies and Procedures Manual

Facilities ~~Manger~~ Coordinator Responsibilities

- Review security system
- Review Emergency Management Plan
- Assigning of keys and FOB
- Review procedures for ordering supplies
- Review fire exits

Information System's Responsibilities

- Phone training to include initial voice message recording
- Computer set-up and training
- Review of Data Security Policy

Receptionist Responsibilities

- Explaining copier and fax machine use

GENERAL OFFICE POLICIES

Conduct in General

Employees' actions should reflect a professional image while representing MFA. MFA expects its employees to conduct themselves in a manner that would reflect favorably on MFA and in accordance with MFA's Code of Conduct (which is set out in Section 1.2 of MFA's Policies and Procedure Manual). MFA expects each employee to conduct himself/herself in such a manner as to be a credit to MFA. Employees are expected to treat one another, associates, customers, and visitors respectfully. Employees are further expected to be supportive of their colleagues and respect the privacy and human dignity of all persons with whom they come into contact.

Internal Conduct

MFA expects its employees to be considerate and respectful of co-workers. In determining appropriate cubicle and office etiquette, employees are to consider the appropriateness of conversation, behavior, use of cell phones, use of fragrant products, and any other noise factors that may be distracting to co-workers.

Reporting Suspected Fraud, Waste & Abuse and/or Unethical or Illegal Practices

All MFA board members, management, employees, contractors, subcontractors, grantees, sub-recipients and business associates must maintain the highest ethical standards in conducting company business. It is MFA's intent that all board members, management, employees, contractors, sub-contractors, grantees, sub-recipients and business associates will conduct business with honesty and integrity and comply with all applicable laws and regulations in a manner that excludes considerations of personal advantage or personal gain and will not seek or accept for themselves any gifts, favors, entertainment, or payments, without a legitimate business purpose.

All MFA board members, management, employees, contractors, sub-contractors, grantees, sub-recipients and business associates should avoid any situation that involves or may involve a conflict between their personal interests and the interests of MFA.

Whistleblower Protection

It is the responsibility of all employees, regardless of classification, to report suspected fraud, waste and abuse, and/or unethical or illegal activities engaged in by any MFA board member, management or employee, which violates federal or state laws or regulations, a state administrative rule, a law of any political subdivision of the state, or MFA's Code of Conduct. All reports are anonymous unless the individual making the report chooses otherwise. To ensure anonymity and encourage compliance with best practices, MFA has contracted with a third-party service provider to receive reports of fraud, waste and abuse and/or unethical or illegal activities. Individuals may report such activities anonymously by:

Calling toll free (877)778-5463, 24 hours a day, 7 days a week

Username: nmmfa

Password: housing

E-mailing

www.reportit.net

Username: nmmfa

Password: housing

All reported activities received through the *Report-It* hotline/website, by written or verbal

communication, or via telephone will be treated the same and will be promptly investigated by

MFA, which may include engagement of a third-party investigative services provider if deemed necessary. Upon completion of the investigation, MFA will take appropriate action should the reported activities be substantiated and determined to be fraudulent, unethical, illegal and/or in violation of MFA's Code of Conduct.

If the individual making the report chooses not to remain anonymous, he/she will be made aware of the outcome of the investigation. All individuals who make good-faith reports will be protected from discharge, demotion, discrimination, or any other type of retaliation. Allegations of retaliation may be reported to (877)778-5463 or at www.reportit.net. All reports of retaliation also will be promptly investigated by MFA, which may include engagement of a third-party investigative services provider if deemed necessary. Upon completion of the investigation, MFA will take appropriate action if the reported retaliation is substantiated.

Complete information on how to report fraud, waste and abuse, and unethical or illegal activities can be found on Report-It flyers posted within MFA's premises and on MFA's website at www.housingnm.org.

Protection of Confidential, Sensitive or Proprietary Information

During employment, employees may acquire knowledge of materials, procedures, and information of a confidential, sensitive or proprietary nature. Much of the personal information that is contained in MFA files, and/or that enters MFA either electronically or physically during business, is considered "sensitive" or proprietary information owned by MFA that must be kept confidential and protected from disclosure to persons, including MFA employees, contractors and agents not authorized to access the information in order to conduct MFA business.

Confidential, sensitive, or proprietary information that might be present in MFA files or enter MFA during the normal course of business consists of, but is not limited to:

- Social Security numbers
- Credit card/debit card numbers, security codes, access codes, passwords
- Bank account information
- Personal data, birthdates, family members' names and ages, home addresses, phone or fax numbers, home e-mail addresses
- Driver's license number, photocopy of driver's license, vehicle identification number, any number that can be used to identify an individual
- Criminal records
- Employment and educational records
- Medical history
- Finger and voice prints
- Photographs
- Registration, membership, or admission of participation in an organization or activity

To safeguard confidential, sensitive, or proprietary information employees shall take particular care with the following:

- Fax machines
- Copiers

- Desktops
- Computers and all other electronic devices
- Paper and electronic files/storage
- Shredding bins
- Recycling bins
- Keys to file drawers, office doors, and storage areas

Business Hours

MFA's regular **business hours** are 8 a.m. to 5 p.m. Monday through Friday.

Standard Workweek

For payroll purposes (e.g., calculation of overtime) MFA's **standard workweek**, for non-flexible schedules, runs from 12:00 a.m. on Saturday through 11:59 p.m. on the following Friday. The compressed workweek begins at noon on Fridays. However, depending on workloads, supervisors may deem it necessary to adjust non-exempt employees' working hours.

Work Hours and Flexible Work Schedules

Work Hours – Schedule Options

MFA strives to maintain a work schedule that provides balance to the business needs of MFA and the personal and family needs of its staff. Therefore, options have been developed to accommodate most staff needs while maintaining or enhancing MFA's business performance.

The standard and official hours of business of MFA are 8 a.m. to 5 p.m. Monday through Friday. These hours may be extended or changed for the benefit of MFA as directed by the Executive Director/CEO. During these hours, all business groups are expected to have sufficient employee coverage to ensure that the group is fully functional. The hours of 9 a.m. to 3:30 p.m. are designated as core hours. Unless otherwise approved, all full-time employees must include these core hours within their set schedules. The basic workweek for full time employees is forty (40) hours.

All employees, both exempt and non-exempt, are expected to work the standard schedule unless an alternate schedule is approved by their supervisor and Chief Officer. Alternative schedule options are outlined below. Alternative schedules cannot be guaranteed and may be discontinued temporarily or permanently by MFA at any time to meet the business needs of MFA or for performance related issues.

Option One – The Flexible Hours Schedule – Under this option the employee will work eight (8) hours daily, regularly scheduled, Monday through Friday. This regular schedule may begin as early as 7 a.m. and end as late as 6 p.m. A minimum of a one-half hour unpaid lunch break must be included in the schedule. This daily schedule must include the core hours of 9 a.m. to 3:30 p.m.

Option Two – Compressed Work Week – Under this option, a schedule will consist of four (4) nine (9)-hour days, Monday through Thursday and an eight (8) hour day on Friday of week one and four (4) nine (9)-hour days, Monday through Thursday with Friday off in the following week. The hours will be regularly scheduled and may begin as early as 7 a.m. and end as late as 6 p.m. A minimum of a one-half hour unpaid lunch break must be included in the daily

schedule. This daily schedule also must include the core hours of 9 a.m. until 3:30 p.m. On the Friday worked, non-exempt staff must work four (4) hours before 12:00 Noon and four (4) hours must be worked after 12:00 Noon. For pay purposes, the work week is seven (7) consecutive days beginning at 12:00 Noon on Friday. This option will require that staff be assigned to one of two groups. Group one will start the two-week rotation in week one, the second group will start the two-week rotation in week two. Supervisors will manage group assignments to ensure full coverage and continuity of operations. Employees may opt into a compressed schedule at the first pay period of the month.

Not all departments may be able to grant flexible schedules to all non-exempt employees. This decision is left to the discretion of the supervisor.

When establishing flexible work hours for non-exempt employees, supervisors must notify the Human Resources Director to ensure compliance with the FLSA. The Human Resources Director must be informed of all flex schedules upon approval. Exempt employees are expected to work whatever hours necessary to get the job done.

To review the Compressed Work Week Guidelines, employees should refer to MFA's Intranet.

Option Three-Telecommuting-This option allows employees to work at home or in a satellite location within New Mexico for part of their regular work week. Telecommuting is a voluntary work alternative that may be appropriate for some employees and some jobs and must be designed and authorized based on business needs. Telecommuting is not an entitlement, and it in no way changes the terms and conditions of employment with MFA. Telecommuting can be intermittent or recurring.

- a) Intermittent – may be appropriate on an intermittent basis for employees who, for example, are working on special projects requiring limited distractions and increased focus, have a short-term medical or personal need to work from home, have weather- related safety concerns, or are experiencing a family care emergency. Intermittent telecommuting must be approved in advance and in writing by the respective Chief Officer.
- b) Recurring – can be planned and structured or can be a floating/flexible schedule. Before entering into any recurring telecommuting arrangement, employees, and their supervisor, with the assistance of Human Resources, will evaluate the suitability of such an arrangement. Each recurring telecommuting request will be assessed on a case-by-case basis and must be approved in advance and in writing by the employee's immediate supervisor and Chief Officer.

An employee must have satisfactorily completed ninety (90) days of continuous regular employment and have met or exceeded performance expectations. Staff who transfer/promoted to another position must consult with their new direct supervisor regarding the telecommuting schedule.

Telecommuting for new staff may be allowed on an ad hoc basis under extenuating circumstances, i.e. inclement weather, power outages, etc.

Telecommuting arrangements may be discontinued at any time at the request of either the

telecommuter or by MFA.

Specific days shall be determined by the employee's supervisor in consultation with the employee and any other divisions impacted by the employee's work. In accordance with the current telecommuting policy.

To review the Telecommuting Policy and Agreement in its entirety, employees should refer to MFA's Intranet.

Attendance

Timely and regular attendance is an expectation and requirement of performance for all MFA employees. To ensure adequate staffing, positive employee morale, and to meet expected productivity standards throughout the organization, employees will be held accountable for consistently adhering to their workplace schedule.

Absences must be arranged with the employee's supervisor as far in advance as possible. If an employee must leave early or take time off during the day, the employee must request prior approval from his/her supervisor. Such absences may be made-up during the workweek unless accrued vacation or sick leave can be appropriately applied. Unexpected absences should be reported to the employee's supervisor no later than thirty (30) minutes before the employee's scheduled start time. If an employee has not reported for work and has not called in to report the absence for that day, this may be considered absent without leave and may be subjected to discipline, up to termination. If an employee has been absent without leave for three (3) consecutive workdays, the employee will be deemed to have abandoned his/her job.

Supervisors will monitor their employees' attendance on a regular basis and address unsatisfactory attendance in a timely and consistent manner. Employees who have exhibited unsatisfactory attendance will be disciplined accordingly.

Breaks

Employees may take a paid fifteen (15) minute break for every block of four (4) hours worked. Breaks are not to be taken in conjunction with the beginning of a workday, lunch break, or end of a workday.

Lunch

Lunch schedules need to be responsive to meeting the needs of those MFA serves. Supervisors must ensure their departments are covered appropriately so that everyone does not routinely go to lunch at the same time. Non-exempt employees working six (6) hours, or more are required to take at least a thirty (30) minute, uninterrupted lunch break for which they are not compensated; provided, non-exempt employees must be completely relieved of all duties during such lunch breaks. While exempt employees are not required to take a meal break, exempt employees may not generally work through their meal break in order to leave work earlier than their regular schedule. Employees are not to take lunch or breaks in conjunction with the beginning of a workday or end of a workday.

Scent Sensitivity

Recognizing that employees may have sensitivities or allergies to fragrant products, including but not limited to perfumes, colognes, fragrant body lotions, hair products, or other scented products including candles, room sprays and air fresheners, MFA asks, out of concern for others in the workplace that employees use these scented products in moderation, subject to restrictions.

Attire

Maintaining a professional, business-like appearance is very important to the success of MFA.

Regardless of the employee's interaction with customers, partners, suppliers, contractors, each employee projects the reputation of the organization. Part of this impression depends on each employee's choice of dress.

All employees, including temporary and contract employees, are expected to dress in a manner suitable to a professional/casual environment. Casual is defined as a comfortable, relaxed version of business attire without compromising professionalism.

Supervisors are responsible for ensuring the proper appearance of their staff. Each supervisor has the discretion to send an inappropriately dressed employee home to change his/her clothing. The employee will be required to make up this time.

From time to time the Executive Director/CEO or the Human Resources Director may alter the dress guidelines for special occasions.

To review the Dress guidelines in its entirety, employees should refer to MFA's Intranet.

Smoking

As provided by local ordinance and state law, the use of tobacco, including cigarettes, chewing tobacco and e-cigarettes, in any indoor workplace of MFA is prohibited. Smoking cigarettes and e-cigarettes also is prohibited near any entrance, window, or ventilation system of any MFA workplace. Smoking is only allowed in specifically designated locations.

Children in the Workplace

MFA supports a family environment and welcomes brief visits from family members, children, and grandchildren. MFA also realizes that from time-to-time situations may arise which require an employee to bring his/her child(ren) to work to accommodate a last-minute need; however, children are not to be brought to the workplace on a regular basis in lieu of childcare. The purpose of this policy is to provide guidelines for an employee bringing his/her child(ren) to work.

An employee may bring his/her child(ren) to work in the event of an emergency (a last-minute need). Under these circumstances, MFA asks that child(ren) be on MFA property for brief periods of time not to exceed two (2) hours and that an employee attempts to ensure that such instances are infrequent. It is important that an employee maintain supervision of his/her child(ren) as appropriate at all times while the child(ren) are on MFA property. An employee will be responsible for any damage caused by his/her child(ren) while on MFA property. Further, no ill child(ren) may be brought by any MFA employee onto MFA property.

MFA also encourages and supports time off and allows flexibility in an employee's work schedule to accommodate unanticipated childcare needs. An employee should work with his/her supervisor to come up with an agreed upon alternate schedule if appropriate.

It is important that MFA provide these guidelines to balance the requirements of its business as it relates to safety, and productivity, with the needs of MFA employees by providing some flexibility. An employee must immediately notify his/her supervisor should the employee have a

need to bring his/her child(ren) to work. The supervisor will notify the appropriate Chief Officer and Human Resources.

Nursing Mothers

MFA complies with state and federal law and provides flexible break time and a clean private space (not a restroom) for a nursing mother to use a breast pump at work. If an employee does not use a regular paid break for the purpose of expressing milk, she will not be paid for this time and no employee will be entitled to overtime for time spent using a breast pump. MFA will not be responsible for the storage or refrigeration of breast milk. Any employee who requires space to express milk at work should speak to the Human Resources Director.

Solicitation

No solicitations of any kind, ticket or merchandise sales, or distribution of literature are permitted at any time by non-employees within MFA building or on MFA premises. MFA employees are prohibited from solicitation or participation in any solicitation activities while the employees are on working time or, at any time, in a working area of MFA.

Upon approval by the Executive Director/CEO or Human Resources Director, limited charitable exceptions to this policy may be made for promoting fund raising events for school related or extracurricular activities on MFA premises. Upon approval, solicitations may be posted on MFA's Intranet.

Religion in the Workplace

MFA will reasonably accommodate an employee's sincerely held religious beliefs, observances, or practices unless doing so would impose an undue hardship on MFA. Employees seeking some type of religious accommodation should contact the Human Resources Director. MFA also prohibits all forms of harassment in the workplace including harassment based on religious beliefs or the lack of such beliefs. Such harassment occurs when an employee is required or coerced to abandon, alter, or adopt a religious practice as a condition of employment. While MFA does not prohibit religious-related events during non-working time, such as during breaks or over the lunch hour, participation in such events must be strictly voluntary and no supervisor or manager can require an employee he/she supervises to attend such events. Interjecting religious activities, such as prayers, into business events during working hours is not permitted.

Participation in MFA's Housing Programs and Disclosure

Employees of MFA can participate in housing programs. Employees participating in such programs should recognize that certain co-workers may have financial information required to apply for and participate in such programs. Personal information, financial information, personal household information, information about performance under such programs, and more are contained in program files. If an employee does not want such information revealed to co-workers whose job it is to administer these programs, the employee may not want to participate in the programs MFA offers. An employee should notify the respective Program Director in advance of participating.

ACCEPTABLE USE AND DATA SECURITY

Software License Compliance

MFA is legally responsible for all software used by employees on MFA computers. Therefore, the installation of all software purchased, or downloaded from the Internet for evaluation or purchase, must be performed and approved in advance by the Information Systems Department.

Most software licensing agreements do not allow copying. Therefore, it is prohibited as well as illegal to copy MFA-purchased software. The Information Systems Department will advise staff of software that can be copied.

Data Loss/Breach

All users have a responsibility to promptly report the theft, loss or unauthorized disclosure of MFA proprietary information. In the event of a verified breach of MFA customer data, the Data Breach Notification Procedures will be implemented.

Removable Media

MFA staff may only use MFA removable media in their work computers if it has been approved by IT and is encrypted. MFA removable media may be connected to or used in computers that are not owned or leased by the MFA if required for business purposes. Sensitive information should be stored on removable media only when required in the performance of your assigned duties or when providing information required by other state or federal agencies. When sensitive information is stored on removable media, it ~~should~~must be encrypted.

Smartphones

Employees can use their personal smartphone to access their MFA issued e-mail account only after the installation of endpoint protective software has been configured and secured by the IT department.

Security

The Information Systems Department will provide security levels based upon the processing requirements of the user. The employee's supervisor and the Information Systems Department must approve subsequent requests for security level changes. Workstations will automatically be locked after ten minutes of being idle.

Passwords

All users are required to change their passwords for MFA's internal systems every three (3) months. The Administrator/IT Department's password is subject to guidelines detailed in the Information Systems Policies Manual.

Passwords must be a minimum of twelve (12) characters in length; may not be the same as the user ID; and require a combination of any two of the following: alpha, numeric, and special characters. Previously used passwords can be reused after seven (7) password changes have occurred. It is strongly suggested to avoid using common passwords or dictionary words as they are easily guessed. Passwords are case sensitive. A very secure password can be created using these guidelines (example, @TmB1w2yPR9! "This may be one way to remember"- do not use this password example).

Users should change passwords on systems external to MFA every three (3) months, or as required, following the guidelines for such external sites. Users should not use the “Remember Password” feature of applications such as web browsers.

Anyone suspecting his/her password may have been compromised must report the incident to Information Services and change all passwords.

Backups

MFA network systems are backed up completely each business day. Provisions have been made for off-site storage daily. A log is maintained by the Information Systems Department, documenting the schedule and completion of all backups. Backups are not performed on individual PC's internal hard drive.

Requests to archive seldom-used large files or images to CD should be directed to the Information Systems Department.

Training

Trained personnel can more effectively contribute to the overall success of MFA. An integral part of employee self-improvement is training. It is incumbent upon the employee to become involved in self-study methods to learn PC fundamentals and become skilled in the software applications he/she uses.

To assist in managing risk related to the potential compromise of network systems and data security, MFA will maintain a security awareness training and education program. The security awareness and education program will help MFA document, communicate, and train employees on security best practices and concepts.

On an annual basis (when preparing budget) the Sr, Director of Information Technology, with the input of department directors, will determine third-party training requirements needed for software applications. Efforts will then be made by supervisors to schedule staff for training at times convenient to MFA and during normal work hours, if possible.

E-Mail

All information that is transmitted through MFA's e-mail system is considered MFA property and is subject to Management's review. The communication of confidential information including but not limited to Personal Identifiable Information (PII), which may be detrimental to the professional or economic operation of MFA should always be protected and encrypted when being transferred. All MFA data contained within an email should not contain unauthorized attachments, like software, shareware, executable scripts, music files, music and the like. MFA reserves the right to monitor e-mail usage and to access any e-mails sent or received through MFA's e-mail system at any time, in Management's sole discretion, in order to ensure proper usage and identify any misuse of the system. Therefore, employees shall not have any reasonable expectation of privacy in connection with their use of MFA's e-mail system, regardless of whether an e-mail communication sent or received is personal or business related.

Copies of MFA e-mails may be requested by employees with Management approval. E-mail messages received from an unknown source and/or that contain suspicious content should not be opened and should be deleted immediately. E-mails that are not of a business nature and that are directed to “all employees” must be approved by the Human Resources Director prior to being

sent.

Any misuse of MFA's e-mail system is considered misconduct and may result in disciplinary action, up to and including termination of employment, in Management's sole discretion.

Misuse of e-mail includes, but is not limited to, the following examples:

- Sending or forwarding e-mails containing discriminatory, harassing, defamatory, or unprofessional statements about MFA employees, associates or customers
- Communication of confidential information that may be detrimental to the professional or economic operation of MFA
- Sending or forwarding e-mails that are threatening, intimidating or coercive in nature
- Sending or forwarding non-business-related e-mails that are disruptive to the workplace
- Sending or forwarding e-mails that are not acceptable in a professional workplace
- Sending or forwarding e-mails that advocate specific religious or political beliefs
- Sending non-business-related e-mails using an official MFA position title for personal gain or influence
- Solicitation of any kind, collection for any purpose, ticket or merchandise sales, or distribution of literature, while the employees are on working time, unless approved by the Executive Director/CEO or Human Resources Director
- Sending unauthorized file attachments or saving received unauthorized file attachments. Unauthorized file attachments include, but are not limited to, software, shareware, executable scripts, music files and movies
- Accessing non-MFA e-mail systems from MFA computers for personal use. Examples include, but are not limited to: Yahoo, MSN, and Gmail
- Participation in any non-business on-line chat programs

Clean Desk

The purpose of this policy is to establish the minimum requirements for maintaining a "clean desk" to ensure sensitive/confidential information about MFA employees, intellectual property, customers, and vendors is properly secured.

- Authorized users are required to ensure that all sensitive/confidential information in hardcopy or electronic form is secure in their work area at the end of the day and when they are expected to be gone for an extended period
- Computer workstations must be locked when workspace is unoccupied
- Any restricted or sensitive information must be removed from the desk and locked in a drawer when the desk is unoccupied and at the end of the workday
- File cabinets containing restricted or sensitive information must be kept closed and locked when not in use or when not attended
- Keys used for access to restricted or sensitive information must not be left at an unattended desk
- Passwords may not be left on sticky notes posted on or under a computer, nor may they be left written down in an accessible location
- Printouts containing restricted or sensitive information should be immediately removed from the printer
- Upon disposal restricted and/or sensitive documents should be shredded in the official shredder bins or placed in the locked confidential disposal bins
- Whiteboards containing restricted and/or sensitive information should be erased

- Mass storage devices such as CDROM, DVD or USB drives should be treated as sensitive and secured in a locked drawer
- All printers and fax machines should be cleared of papers as soon as they are printed; this helps ensure sensitive documents are not left in printer trays for the wrong person to pick up

Intranet

Subject to the provisions of MFA's Solicitation Policy, any employee may post comments on MFA's Intranet Bulletin page. The Bulletin page is not intended to be used as a social networking site similar to Facebook, Twitter, etc. The following are examples of the kind of topics about which comments might be posted on the Intranet Bulletin page:

- Birth or adoption announcements
- Items for sale or donation
- Wanted items
- Lost items
- Interested carpoolers
- School-related fund raisers
- Upcoming events
- Limited charitable causes
- Garage/yard sales

Employees should remember that all comments posted on the Bulletin page may be read by any employees. Therefore, discretion must be exercised when posting comments so as not to offend fellow co-workers and to protect the privacy of others. Posts must be set with an expiration date or removed manually from the bulletin page at its conclusion.

As a general rule, use of MFA's Internet access by employees is permitted only where such use supports the goals and objectives of MFA. Employees are expected to use the Internet responsibly and productively. Internet usage should be limited to job-related functions, including research and educational activities that assist in performance of job responsibilities. Engaging in Internet activities that waste MFA resources and staff time constitutes a violation of this policy.

All Internet data that is composed, transmitted and/or received through MFA's computer systems is considered MFA property. MFA reserves the right to monitor Internet traffic and to access and review any information that is composed, sent or received through MFA's online connections at any time. Therefore, employees shall not have any expectation of privacy in connection with their use of MFA's Internet access. Any misuse of MFA's Internet access is considered major misconduct and may result in disciplinary action up to and including termination of employment at Management's sole discretion.

Misuse of MFA's Internet access includes, but is not limited to:

- Visiting sites that contain obscene, hateful, pornographic, violent or otherwise illegal material
- Visiting gambling sites or web-based email sites

- Sending or posting discriminatory, harassing, or threatening messages or images
- Sending or posting information that is defamatory to MFA, its products/services, employees, associates and/or customers
- Sharing confidential information that may be detrimental to MFA customers, associates, employees or to the professional or economic operation of MFA
- Sending or posting chain letters
- Solicitation of any kind, collection for any purpose, ticket or merchandise sales, or distribution of non-MFA related literature, while the employees are on working time, unless approved by the Executive Director/CEO or Human Resources Director
- Downloading, copying or pirating software and electronic files that are copyrighted or without authorization, including but not limited to shareware, executable scripts, music files, and movie files
- Using the Internet to access and play games
- Participating in any non-MFA related chat programs

If an employee is unsure about what constitutes acceptable Internet usage, then the employee should ask his/her supervisor for further guidance and clarification.

MFA's Internet Usage Policy applies where Internet access is provided by MFA for non-MFA owned devices.

Internal Controls

A system of written controls for the Information Systems function will be maintained by the Sr. Director of Information Technology and reviewed periodically by an independent expert.

The controls shall include, but not be limited to, procedures pertaining to backup, logical and physical security controls, and Help Desk maintenance. The controls are made part of the Information Systems Policy.

Social Media

MFA recognizes the importance of the company's website, intranet and its social media accounts in shaping external and internal opinions about MFA and its current and potential services and products, employees, partners and customers. MFA also recognizes the importance of employees' involvement in social media and the intranet. MFA is committed to supporting employees who participate in these activities while protecting the MFA brand and reputation. To that end, the following policies apply to MFA's social media accounts, the personal social media accounts of MFA employees and employee intranet and MFA website activities.

Brand Guidelines

MFA has invested time and money in its brand and reputation. In order to protect that brand, images and names associated with MFA must always be represented in a professional manner.

Confidentiality

Employees are prohibited from revealing any MFA confidential or proprietary information, trade secrets or any other material covered by MFA's confidential information policy when engaged in social media or when on external websites. Employees are expected to follow MFA's confidentiality policy.

Roles and Responsibilities of MFA's Communications and Marketing Department

MFA's Communications and Marketing Department is solely responsible for the management, engagement, publishing and removal of content on all MFA social media accounts. Suggestions for posts to MFA accounts are welcome; employees should contact the Communications and Marketing Department.

Removal of Posts and Edits from MFA's Online Platforms

MFA does not discriminate against viewpoints, nor does it agree with or endorse comments that are posted on its accounts. Employees are fully responsible for the content of the posts and edits they make on MFA platforms. However, MFA reserves the right to delete posts or edits that are determined to be inappropriate.

Training

To assist in managing risk related to accessing and contributing to social media sites, MFA will train employees annually regarding the policies that apply to MFA's social media accounts, the personal social media accounts of MFA employees as well as employee intranet and MFA website activities.

Guidelines for Interaction about MFA on the Internet

- If an employee is developing a website or using social media that will mention MFA and/or current and potential services, employees, associates, or customers, he/she must identify that he/she is an employee of MFA and that the views expressed on social media or website are the employee's alone and do not represent the views of MFA. No employee is authorized to speak on behalf of MFA, or to represent that he/she does. MFA's logo may not be used without explicit permission in writing from MFA, in order to prevent the appearance that an employee speaks for or officially represents MFA.
- If an employee is developing a site or using social media that will mention MFA and/or current and potential services, employees, associates, or customers, he/she must inform his/her manager. The manager may choose to visit the site or social media from time to time to understand the employee's point of view.

Confidential Information

No employee may share confidential, sensitive and/or proprietary information about MFA with anyone outside MFA. This includes information about upcoming programs and services, finances, number of employees, organization strategy, and any other information that has not been publicly released by MFA. Transferring data containing confidential information using non-secure services such as Dropbox is prohibited.

Respect and Privacy Rights

- Employees must communicate respectfully about MFA and its current and potential employees, customers, and partners. Employees must not engage in name calling or behavior that will reflect negatively on MFA's reputation.
- Any unauthorized use of copyrighted materials, unfounded or derogatory statements, or misrepresentations by an employee will be viewed unfavorably by MFA and may result in disciplinary action up to and including termination of employment.

- Employees must honor the privacy rights of current employees by seeking their permission before writing about or displaying information about internal MFA happenings that might be considered a breach of their privacy and confidentiality.

Discipline

Employees may be disciplined by MFA, up to and including termination of employment, for any commentary, content, or images they send, post or forward using MFA's computer and communication systems that are defamatory, pornographic, proprietary, or harassing in nature, or that otherwise create a hostile work environment.

Media Contact

Media contacts about MFA and its current and potential services, employees, associates, customers, and competitors should be referred for coordination and guidance to MFA's Marketing and Communications Director.

Remote Access

Remote access to MFA's computer and communication systems is provided via the Internet. Remote access is limited to designated MFA personnel identified and approved by the employee's supervisor. Multifactor Authentication must be used when accessing any MFA resources remotely. All security controls and restrictions defined elsewhere in the systems apply.

To review the Acceptable Use & Data Security and Social Media Policies in its entirety, employees should refer to MFA's Intranet.

PAY POLICIES AND PROCEDURES

Pay Process

MFA pay periods are two (2) weeks in duration providing employees with twenty-six (26) pay periods annually. Hours are recognized in fifteen (15) minute increments. With employee consent, payroll checks are directly deposited into individual employee bank accounts. Paper statements are distributed on the Friday following a pay period for staff who choose to not to have direct deposit. Payment arrangements, other than direct deposit, may be made through the Human Resources Director.

There will be no release of an employee's paycheck or payroll advice slip to someone other than the employee without the employee's written authorization.

Documentation of Time

- **Non-exempt employees.** The FLSA and corresponding federal regulations require that each non-exempt employee complete accurate time records for each pay period showing hours worked each day, total hours worked each workweek and the pay period.
Non-exempt employees must approve the hours worked and the employee's supervisor must verify and approve the hours worked in ADP, MFA's electronic time keeping system. Failure to submit time records in a timely manner may result in delay of pay.
- **Exempt employees** are required to report exceptions, i.e., vacation, administrative or sick leave taken during the applicable pay period

Overtime Procedures

Only non-exempt employees are eligible for overtime. Overtime is paid, at the rate of time and a half, for time worked in excess of forty (40) hours in a workweek.

Non-exempt employees must obtain verbal approval from their supervisors prior to working overtime. A non-exempt employee who works overtime without obtaining approval from his/her supervisor may be subject to discipline.

All overtime hours are logged on the employee's time record with notation that verbal approval was obtained and the reason for the overtime. Supervisors are responsible for approval or denial of overtime and managing overtime within approved budget.

Compensable Travel Time for Non-Exempt Employees

Non-exempt employees may be eligible for compensation for the time spent when travelling on MFA business. The compensation that a non-exempt employee receives depends on the kind of travel and whether the travel takes place within the employee's normal work hours. For the purpose of this policy, "normal work hours" are defined as the employee's regularly-scheduled work hours, e.g., 8:00 a.m. – 5:00 p.m. This definition applies to normal workdays (Monday through Friday) and to weekends (Saturday and Sunday).

- *Travel for One-Day Assignment in Another City* – An employee who regularly works at a fixed location and is given a special one-day assignment in another city and returns home the same day will be paid for the time spent traveling to and from the other city.

- *Travel During Workday* – Time spent by an employee traveling as part of his or her regular job duties, such as travel from the office to an offsite meeting, is work time and will be paid as such.
- *Travel Away from Home* – Travel that keeps an employee away from home overnight is travel away from home. Travel time that takes place within the employee's normal work hours, regardless of the day of week, is treated as work hours. When an employee travels between time zones, the time zone associated with the point of departure will be used to determine whether the travel falls within the employee's normal work hours. Time spent travelling from home to the airport terminal or train station terminal is considered commute time and is not treated as hours worked. Time spent waiting at the terminal until arrival at the destination is compensable when it falls during normal work hours. Employees should strive to time their arrival at an airport terminal so that their wait time before departure is limited to approximately two hours.

Travel Time as Driver/Passenger of Automobile – All authorized travel time spent driving an automobile is treated as work hours, regardless of whether the travel takes place within the employee's normal work hours or outside of the employee's normal work hours. Time spent as a passenger in an automobile is not automatically treated as work hours. Travel as a passenger in an automobile is treated the same as all other forms of travel.

In order to manage overtime within approved budget, supervisors have the discretion to adjust a non-exempt employee's work schedule during the workweek in which compensable travel time occurs so that the employee's total work hours during that workweek will not exceed forty (40) hours.

Irrespective of the foregoing rules regarding compensation for travel time, non-exempt employees will not experience a loss of wages, nor will any employee be required to use benefit time when traveling on behalf of MFA.

Non-Compensable Travel Time and Expenses

Not all time spent traveling by non-exempt employees and not all expenses incurred in connection with such travel are compensable. For example:

- A non-exempt employee who travels from home before the regular workday to work and then returns to his/her home at the end of the workday is engaged in ordinary home-to-work travel, which is not considered compensable travel time under the FLSA and corresponding federal regulations.
- Mileage from home to the airport or train or bus station is not compensable.

General Rules Applying to All Travel

If a non-exempt employee is offered the most economical public transportation, but asks for and receives permission to drive instead, MFA may only compensate the employee for the time to travel on the public transportation offered. Consistent with the above rules, all travel must conform to MFA's travel policies, as set forth in MFA Policies & Procedures Manual, and an

effort must be made to travel by the most economical means possible considering overtime, cost of transportation, and available options.

Redline Compensation Policy

New Mexico Mortgage Finance Authority works toward a level of compensation that is externally competitive and internally equitable for all employees. Entry, mid and maximum ranges have been established for all grades/classifications. There are instances when an employee may have reached or surpassed the established range maximum for their position, which is referred to as redlining. A redlined employee would no longer be eligible for further base pay increases until such time the range maximum surpasses the employee's pay rate.

Bonus in Lieu of Merit Increase

MFA believes that it is in the best interest of both the organization and employees to recognize the efforts and contributions of redlined staff; therefore, ~~it is MFA's intention~~ may elect at its discretion to award a merit increase to redlined employees in the form of a bonus.

The amount of the bonus may be equal to the percentage increase the employee would have realized had he/she not been redlined.

Any such bonus will be paid out in equal increments in November, April and July. ~~at the end of each fiscal quarter for the first three quarters of the fiscal year.~~

SUMMARY OF EMPLOYEE BENEFITS

General Statement

The benefits discussed in this Employee Manual are provided at MFA's discretion and may be altered or discontinued at any time. If there is a conflict between the terms of any of the benefits described below and the terms of the benefits described in a particular benefit plan, the particular benefit plan controls. Any questions about a particular benefit should be directed to the Human Resources Director.

Health, Vision, and Dental Insurance

All full-time employees and part-time employees, working 20 hours or more are eligible for individual and dependent coverage under MFA's group health insurance plan, dental plan and vision plan on the first day of employment. All employees that are enrolled under MFA medical plan are also eligible to participate in the Wellness Plan provided by Presbyterian.

Domestic Partners

MFA extends health, vision, and dental insurance benefits to the domestic partners of eligible employees who meet qualifying criteria established by MFA, to the same extent that these benefits are available to spouses of eligible employees. Information regarding the qualifying criteria for domestic partner benefits is available from the Human Resources Director. For purposes of such benefits, "domestic partners" is defined as being two individuals who live together in a long-term relationship of indefinite duration. There must be an exclusive mutual commitment similar to that of marriage in which the partners agree to be financially responsible for each other's welfare and share financial obligations.

Flexible Spending Accounts

All full-time and part-time employees working 20 hours, or more are eligible to participate in MFA's Flexible Spending Account program on the first day of employment. MFA allows

eligible employees to set aside money in a flexible spending account for healthcare and related costs and/or for dependent care, on a pre-tax basis. Eligible employees may set aside an amount up to the allowable maximum for healthcare and related costs, and up to the allowable maximum amount for dependent costs.

Health Savings Account

All full time and part time employees working 20 hours or more who are on a high deductible medical plan are eligible to participate in MFA's Health Savings Account. A Health Savings Account (HSA) is a tax-deferred personal savings account that allows you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. With an HSA your funds carry over from year to year. Eligible employees may set aside an amount up to the allowable maximum for healthcare and related costs.

Short- and Long-Term Disability Insurance

All full-time and part-time employees working 30 hours or more become eligible for Short and Long-Term Disability Insurance on the first day of employment. Short- and Long-Term Disability Insurance is a benefit provided to eligible employees and paid for by MFA.

Short term benefits begin on the 15th day of disability and employees receive 70% of the employees' predisability earnings. Employees may choose to supplement the additional 30% with sick or vacation accruals.

Long-term benefits begin after 90 days of disability and receive 60% of the employees' predisability earnings. Employees may choose to supplement the additional 40% with sick or vacation accruals.

Group Term Life Insurance and AD&D Insurance

All full-time and part-time employees working 30 hours or more become eligible for Group Term Life Insurance and AD&D Insurance on the first day of employment. Group Term Life Insurance and Accidental Death & Dismemberment (AD&D) Insurance is provided to eligible employees by MFA. Coverage is one (1) time the employee's annual salary plus \$10,000, with a minimum benefit of \$10,000, and a maximum benefit of \$100,000.

Supplemental Life and AD&D Insurance

All full-time and part-time employees working 30 hours or more become eligible for Supplemental Life and AD&D Insurance on the first day of employment. Supplemental Life and AD&D Insurance is available to eligible employees at their expense. Employees may purchase coverage in increments of \$10,000 to a maximum of \$300,000.

Spouse/Domestic Partner Supplemental Life and AD&D Insurance

Spouse/Domestic Partner Supplemental Life and AD&D Insurance are available to eligible employees at their expense only if the employee has elected employee coverage. Elections may be made in increments of \$10,000 to a maximum of \$100,000 not to exceed 100% of the employee's approved election.

- All full-time employees with spouses become eligible for Spousal Supplemental Life and AD&D Insurance on the first day of employment if they have elected employee coverage.
- All full-time employees with domestic partners become eligible for Domestic Partner Supplemental Life and AD&D Insurance on the first day of employment if they have

elected employee coverage and have met qualifying criteria for domestic partner benefits established by MFA.

Employee Assistance Plan

All full-time and part-time employees with benefits are eligible for services under the Employee Assistance Plan on the first day of employment. MFA has two options for an Employee Assistance Plan to provide confidential assistance to eligible employees. Employees may access the services at:

Compsych Guidance Resources
Sponsored by Prudential
800.311.4327
Company CoOnline: guidanceresources.com
Company Code: GEN311

The Solutions Group
Sponsored by Presbyterian
1-866-254-3555 or 505-254-3555

Flyers for both plans can be found in MFA's break room.

To utilize the Employee Assistance Plan, an employee must identify him/herself as an "MFA" employee. The identity of the employee utilizing the services is not made known to MFA.

401(k) Retirement Plan

MFA has adopted a 401(k) Plan to provide eligible employees the opportunity to save for retirement on a tax-advantaged basis. Detailed information concerning the terms and conditions of the 401(k) Plan is contained in the Plan Highlights, which are available on MFA's Intranet.

Upon meeting the requirements described in the Plan Document, all full-time and part-time employees with benefits who are over age 19 are eligible to participate in MFA's 401(k) Plan, starting with the first day of the month after date of hire. A term employee is eligible if his or her offer letter states the individual is eligible for 401(k) benefits.

Employee Contributions

Under the 401(k) Plan, eligible employees may elect to reduce their compensation by a specific percentage or dollar amount and have that amount contributed to their retirement account on a pre-tax basis through payroll deductions. Employee contributions are not subject to federal and state income taxes when made and may grow, tax deferred, until paid out, when the contributions will be taxable as ordinary income. All employee contributions are one hundred percent (100%) vested when made. The minimum amount an employee may contribute is one percent (1%) of their compensation, up to an annual dollar limit which is set by law.

Automatic Deferral Increases

Salary deferrals will be automatically increased by 1% every year in January, up to a salary deferral percentage of 8% of compensation. The Participant may opt out of automatic deferral increases by signing on to www.startright.bokf.com and revising the contribution election in their personal 401(k) account.

Employer Matching Contributions

MFA will make a matching contribution for salary deferral contributions. MFA will match one dollar for every dollar the participant puts into the plan for the first 1% or 2% of participant's eligible compensation. If the participant defers 3% or more, MFA will match 5% of participant's eligible compensation each pay period (up to allowable tax limits to the 401(k) plan under IRC Section 402(g)).

MFA will true-up for those who deferred the maximum deferral under IRC 402(g) but did not receive Matching Contributions because of the timing of deferrals. As chosen by the Employer this true-up can be made on a per pay period basis or at year end. MFA will not give a true-up to a Participant who starts and stops his or her deferrals throughout the year, if they did not make the 3% deferral minimum each pay period.

Employer Non-Elective Contributions

MFA will make a "non-elective" contribution to the 401(k) Plan equal to eleven percent (11%) of the eligible compensation of all Plan participants eligible to share in allocations. MFA's non-elective contribution is contributed on a biweekly basis.

Loans

The Plan Documents of the New Mexico Mortgage Finance Authority 401(k) Plan offer the option of an employee taking up to two (2) loans from his/her retirement account. Any employee thinking about borrowing from his/her 401(k) plan should consider all options carefully.

Participants are allowed to borrow money from the Plan based on the following limitations (see the Plan Loan Procedures for additional information):

- Minimum amount - \$1,000.00.
- Maximum amount - 50% of vested account balance not to exceed \$50,000 (minus the difference between the highest outstanding balance of loans in the past 12 months and the outstanding balance of loans from the Plan on the date the loan is made).
- The duration of the loan will be limited to five years unless it is for purchase of primary residence.
- The interest rate will be based on National Prime plus 2%.
- Only two outstanding loans will be permitted at any time.
- Loan origination fee - \$100.00.

For additional information, an employee should contact the Human Resources Director.

Vesting

An employee's "vested percentage" of the matching and non-elective contributions made to the 401(k) Plan by MFA is based on "Years of Service." To earn a "Year of Service," an employee must be credited with at least one thousand (1,000) hours of service during a Plan Year. An employee's vested percentage is determined according to the following schedule:

Vesting Schedule

Less than Two Years	0%
Two Years but less than three	25%

Three Years but less than four	50%
Four Years but less than five	75%
Five Years or more years	100%

457(b) Deferred Compensation Plan

MFA also has adopted a 457(b) Plan, which allows eligible employees to set aside money for retirement on a pretax basis by entering into a salary reduction agreement with MFA. Detailed information concerning the terms and conditions of the 457(b) Plan is available from the Human Resources Director or Bank of Oklahoma.

An eligible employee for purposes of the 457(b) Plan means an employee who has made in any prior year salary reduction contributions to MFA 401(k) Plan equal to the IRC 402(g) limit.

- Under the 457(b) Plan: Employees may elect salary reduction amounts up to the IRC 402(g) limit.
- Only employee contributions are allowed unless otherwise stated through Board action.
- All employee contributions in the 457(b) Plan are one hundred percent (100%) vested.

In case of conflict between this Employee Manual or any summary of the 401(k), 457(b) Plans or any other benefit plans, the Plan Documents will govern.

Employee Educational Assistance

MFA encourages continuing education for eligible employees for specific job-related course work or employee education considered by Chief Officer to be in the best interest of MFA.

Full-time employees with satisfactory work and attendance standards who have completed one (1) year of employment with MFA are eligible to participate provided that they are not receiving assistance or a scholarship from any other source. Those employees wishing to be reimbursed by MFA for attending and completing job-related college or trade school level courses must first obtain their manager's and respective Chief Officer's approval and then forward those approvals to the Human Resources Director for final approval. All approvals must be obtained in advance and should be submitted during the budget process.

Tuition reimbursement for college or trade school level courses will not exceed standard semester credit hour rates charged by a state university in New Mexico. Tuition reimbursement for approved courses is limited to the following number of credit hours per fiscal year:

- Following one year of employment, nine (9) credit hours per fiscal year.
- Following three years of employment, twelve (12) credit hours per fiscal year; and
- Following five years employment, fifteen (15) credit hours per fiscal year.

Employees will be reimbursed for a percentage of the registration fee, technology fee, facility fee, tuition, textbooks, and related courses work fees, after submitting receipts and evidence of successful completion of the approved course or class as follows:

- With a grade of “A or B”: one hundred percent (100%) reimbursement.
- With a grade of “C”: Ninety percent (90%) reimbursement.
- Employees receiving a grade of “C-” or below will not be eligible for reimbursement of registration fees, tuition, or textbooks.

Textbook expenses will be reimbursed up to one hundred dollars (\$100) per book. The cost of other course materials will not be reimbursed.

An employee who has given notice to separate employment will not be eligible for tuition reimbursement.

Part-time employees will be reimbursed on a prorated basis determined by average hours worked in the calendar quarter.

Any employee who is requesting reimbursement will be required to enter into a payback agreement immediately following prior to receiving the reimbursement. The agreement will be in place for a minimum of twelve months.

MFA will pay for successful completion of job-related training, professional development, profession related certifications and associated preparation courses and any testing fees for up to two attempts of the same test. Prior approval from direct supervisor and Chief Officer is required.

Mass Transit

MFA fully subsidizes the cost of bus passes and Rail Runner passes for use solely by MFA employees. All employees are eligible to receive mass transit passes or subsidies. Bus passes may be obtained from Human Resources upon request. Rail Runner passes must be purchased by employees for reimbursement at a later date.

Costco/Sam’s Club Reimbursements

All full-time employees are eligible for reimbursement for the annual cost of basic membership to either Costco or Sam’s Club. Employees must be employed prior to the purchase of the membership to be eligible for reimbursement.

An employee who has give notice to separate employment will not be eligible for reimbursement.

Seminars and Conferences

All employees are eligible to attend business-related seminars and conferences upon recommendation by their supervisor and approval by the respective Chief Officer. Employees reporting to the Executive Director/CEO must obtain Executive Director/CEO approval. MFA will reimburse eligible employees for expenses incurred in connection with attendance at recommended and approved business-related seminars and conferences. Registration fees, travel and lodging expenses will be paid by MFA with prior supervisor approval.

Compensable Time at Seminars and Conferences (non-exempt employees)

On occasion, luncheons and social hours are conducted in conjunction with a conference or seminar. Generally, regular mealtimes are **not** compensable and attendance at a luncheon or social hour by a non-exempt employee is considered voluntary. Therefore, when a non-exempt employee attends a conference or seminar (or a monthly association luncheon or similar activity), his/her

time during the lunch or social hour is not compensable.

Exception: If a non-exempt employee's attendance at a luncheon or social hour or similar activity is required by MFA, then the employee's time is compensable.

Volunteerism

Eligible full-time employees may take up to four hours of paid time off each fiscal year to volunteer for a charitable purpose. Part-time employees may take up to two hours of paid time off each fiscal year to volunteer for a charitable purpose. Employees may not use volunteer time to support political or lobbying projects.

To be eligible, employees have met expectations performance or above and must not be on any disciplinary status.

Volunteer time should not conflict with the peak work schedule and other work-related responsibilities, cause a non-exempt employee to need to work overtime, or cause conflicts with other employees' schedules. Interested employees should meet with their managers to discuss their volunteer choice, schedule and to receive approval.

Volunteers must wear MFA logo'd apparel during volunteer event.

INCENTIVE COMPENSATION PLAN

Performance Evaluations

The goal setting and performance evaluation process is intended as a means for discussing, planning, and reviewing the performance of each employee. Quarterly coaching and annual performance evaluations are designed to:

- Clearly define responsibilities, provide criteria by which performance will be evaluated, and suggest ways in which performance can be improved.
- Identify employees with potential for advancement.
- Help managers distribute and achieve department and company goals.
- Provide a fair basis for possible Merit Increases and Annual Awards.

Performance evaluations will be conducted on an annual cycle corresponding to the fiscal year end. Employees will receive a performance evaluation and new goals in November of each year. No performance evaluation will change the employment status of any employee which, at all times, shall remain at-will and no evaluation will guarantee that an employee will advance with MFA.

Merit Increases

Merit Increases are *not* guaranteed. They are a compensation tool based on company performance, available budget, and individual performance. Merit Increases, if awarded, will be reflected no later than first payroll cycle of December following the award.

All employees are eligible to be considered for Merit Increases, if they also satisfy the following criteria:

- Employees must have been hired on or before June 30th of the year in which the Merit Increase is awarded.
- Employees must be employed on the date the Merit Increase is awarded.

During the first-year transition period and/or the first year of employment Merit Increases will be pro-rated over the evaluation period through the first payroll cycle in which merit is awarded of any given year.

Spot Incentive Awards

MFA's Spot Incentive Program is designed to provide one-time awards for exemplary performance to eligible employees. All employees are eligible to be considered for a Spot Award, with the following limitations: Employees must be employed on the date the Spot Award is paid out. The Spot Award period runs from October 1st of any given year through September 30th of the following year. Spot Awards will be paid out during the payroll cycle in which approvals are obtained.

- Spot Awards reward outstanding individual performance on a case-by-case basis.
- Spot Awards provide recognition for exemplary employee actions on a case-by-case basis.
- Spot Awards recognize contributions to the organization.

- Spot Awards may be granted at any time throughout any given fiscal year.

Spot Awards are not guaranteed but are recommended by the supervisor and must be approved by the Department Director, Chief Officer, Human Resources Director and the Executive Director/CEO.

Annual Incentive Awards

Annual Incentive Awards are based on the Strategic Plan and budget as approved by MFA's Board of Directors. MFA's Annual Incentive Program is designed to provide incentive compensation for eligible employees by rewarding and motivating staff as staff performance leads to achievement of company-wide goals. All full-time employees and part-time employees with benefits are eligible to be considered for an Annual Incentive Award.

Each member of senior management will be allotted a percentage of the Annual Incentive pool based on total eligible salaries within his/her department. The supervisor will recommend payout percentage for each eligible employee within his/her department. Final incentive awards are approved by the Chief Officer and Executive Director/CEO. Twenty-five percent (25%) of total incentive compensation earned after taxes will be allocated to each eligible employee on a pro rata basis relative to the total company's gross payroll for the fiscal year. Seventy-five percent (75%) of total incentive compensation earned after taxes will be allocated to department directors on a pro rata basis relative to their employees' share of the total company's gross payroll for the fiscal year to serve as a discretionary incentive compensation pool. An employee's total annual incentive compensation equals the sum of both the twenty-five and seventy-five percent components. Total annual incentives will not exceed ten percent (10%) per employee per year.

An additional two percent (2%) incentive pool will be allocated for distribution to the Chief Officers and the Executive Director/CEO.

All employees are eligible for Annual Incentive Awards, provided that they also satisfy the following criteria:

- All full-time and part-time Employees must have been hired on or before June 30th of any given year.
- Employees must be employed on the date the Annual Incentive Award is paid out.
- Annual Incentive Awards are granted at the manager's discretion and must be consistent with overall individual performance evaluation and time worked during the evaluation period.

The Annual Incentive Award period runs from October 1st of any given year through September 30th of the following year. Annual Incentive Awards will be paid out no later than the first payroll cycle in December in any given year.

- Annual Incentive Awards are not guaranteed but are awarded based on contributions to the achievement of company-wide goals, available budget, and individual performance.
- Annual evaluations are the basis for proposed Annual Incentive Awards.

During the first-year transition period and/or the first year of employment Annual Incentive Awards will be pro-rated for the evaluation period through the end of the fiscal year. After the transition period and/or first year of employment all employees will be on the same Annual Incentive Awards schedule.

A full copy of the Incentive Compensation Plan can be found on MFA's Intranet.

Changes, modifications, or exceptions to the Incentive Compensation Policy must be approved by MFA's Board of Directors.

LEAVE WITH PAY

Vacation Leave

Full-Time Employees

Vacation leave accrues on a biweekly basis. Full time employees accrue vacation leave based on years of service as follows:

- The first two (2) years of employment
 - Twelve (12) days per year (accruing at 3.69 hours per pay period)
- ~~After the completion of two (2) years and through seven (7) years of employment~~
~~Sixteen (16) days per year (accruing at 4.92 hours per pay period)~~
- ~~After the completion of two (2) years and through five (5) years of employment~~
 - ~~Sixteen (16) days per year (accruing at 4.92 hours per pay period)~~
 - ~~Fifteen (15) days per year (accruing at 4.61 hours per pay period)~~
- ~~After the completion of seven (7) years and through fifteen (15) years of employment~~
 - ~~Twenty one (21) days per year (accruing at 6.46 hours per pay period)~~
- ~~After the completion of five (5) years and through ten (10) years of employment~~
 - ~~Twenty one (21) days per year (accruing at 6.46 hours per pay period)~~
 - ~~Twenty (20) days per year (accruing at 6.15 hours per pay period)~~
- ~~After completion of ten (10) years and through fifteen (15) years of employment~~
 - ~~Twenty-three (23) days per year (accruing at 7.07 hours per pay period)~~
- ~~More than fifteen (15) years of employment~~
 - ~~Twenty five (25) days per year (accruing at 7.69 hours per pay period)~~
- ~~After completion of fifteen (15) years and through twenty (25) years of employment~~
 - ~~Twenty-five (25) days per year (accruing at 7.69 hours per pay period)~~
- ~~After completion of twenty-five (25) years and through twenty (30) years of employment~~
 - ~~Twenty-five (27) days per year (accruing at 8.30 hours per pay period)~~
- ~~After completion of thirty (30) years~~
 - ~~Thirty (30) days per year (accruing at 9.23 hours per pay period)~~

The Executive Director/CEO has authorization to allow director level and above positions to accrue vacation leave up to the maximum available under the vacation leave policy.

Part-Time Employee with Benefits

All part-time employees with benefits are eligible for vacation time. Employees will accrue vacation at a pro-rated amount that is determined based on the number of hours ~~regularly they were~~ scheduled to work in the preceding fiscal quarter.

Accrued Vacation Days

A maximum of thirty-five (35) accrued vacation days (two hundred and eighty (280) hours) may

be carried forward from one fiscal year to the next. Any accrued vacation leave in excess of 280 hours that is not used before the fiscal year end (September 30th) will be forfeited. Upon resignation or termination of employment, employees will receive pay for any accrued unused vacation leave (up to 360 hours).

Use of Vacation Leave

Employees begin to accrue vacation leave with the first pay period after date of hire and may use vacation leave after one (1) day is accrued. Accrual amounts are noted on pay stubs each pay period. Vacation can be taken only with the supervisor's consent and may be taken in quarter hour increments. Requests will be considered based on work demands and staffing needs, and consent may be withheld based on those and other factors that affect the conduct of MFA's business.

Employees are encouraged to request vacation leave that exceeds two (2) days as far in advance as possible. If an employee wishes to take vacation time that exceeds the employee's accrued vacation leave, approval must be obtained in advance from the respective Chief Officer, or the Executive Director/CEO if appropriate. If approved, the excess vacation time will be taken without pay. Accrued sick leave may not be used in lieu of vacation leave.

Paid Personal Day

Full-time employees are eligible employees that may take one (1) paid 8 (eight) hour personal day each fiscal year after completing ninety (90) days of employment. If personal days are not used by the last pay date of the fiscal year, they will be forfeited. Personal days are not accrued and therefore are not paid out at time of resignation or termination. Personal days can be taken only with the supervisor's consent. Requests will be considered based on work demands and staffing needs, and consent may be withheld based on those and other factors. Employees on a compressed work week will need to request an additional hour of vacation to complete a 9 (nine) hour workday.

Part-Time Employee with Benefits

All part-time employees with benefits are eligible for a paid personal day. Part-time employees will earn a personal day at a pro-rated amount that is determined based on the number of hours regularly they were scheduled to work in the preceding fiscal quarter.

Paid Sick Leave

Full-Time Employees

Sick leave is accrued on a biweekly basis beginning with the first pay period after date of hire. Full-time employees accrue thirteen (13) days of sick leave per year, at the rate of four (4.00) hours per pay period. Accrued sick leave may be carried over from one fiscal year to the next.

Part-Time and Temporary Employees

Sick leave is accrued on a biweekly basis beginning upon the commencement of employment. All part-time and temporary employees are eligible for sick leave. Part-time employees will accrue sick leave at a pro-rated amount that is determined based on the number of hours regularly scheduled to work.

Use of Sick Leave

Employees may begin to use sick leave as it is accrued. If an employee is going to be absent because of sickness, except in cases of emergency, the employee must contact MFA no later than thirty (30) minutes before the employee's scheduled start time and should make every effort to speak directly to his/her immediate supervisor. If the supervisor is not available, the employee should make every effort to speak directly to the manager next in the chain of command. Leaving messages with co-workers may result in unexcused absences.

Sick leave may be used in cases of employee illness or illness of a family member, including the employee's spouse, domestic partner, or anyone who is related to the employee or employee's spouse or domestic partner as his or her child (whether biological, adopted, foster, step, or legal ward), parent or legal guardian (whether biological, foster, step, or adopted), spouse or domestic partner of a family member, or any individual whose close association with the employee or the employee's spouse or domestic partner is the equivalent of a family relationship.

Sick leave may be used for any medical purpose, e.g., doctor and dentist appointments. Sick leave may also be used for meetings at the employee's child's school or place of care related to the child's health or disability or for any absence necessary due to domestic abuse, sexual assault, or stalking suffered by the employee or a family member of the employee.

Documentation may be required for absences of three (3) or more consecutive workdays. Employees will be allowed up to fourteen (14) days from the date of return of work to provide the required documentation. Failure to provide the required documentation within the allotted time period may result in the leave being retroactively counted as unexcused absences.

Employees requesting time off due to the illness of a child may be asked to provide a notice from the child's school or healthcare provider for absences of two (2) or more consecutive days.

Exhaustion of Sick Leave

Sick time that exceeds accrued sick leave will be taken without pay unless an alternative arrangement (e.g., the transfer of sick leave by a fellow employee to assist the sick employee) is approved at the discretion of the Executive Director/CEO or his/her designee. Accrued vacation leave also may be used to cover sick time in lieu of leave without pay.

Nonuse of Sick Leave

Employees are encouraged to use sick leave for medical purposes, however employees who do not need to use sick leave will accrue four (4) additional hours of vacation leave time during the fiscal year for every six (6) months worked, if during that six (6) month period, sick leave is not used.

Payout of Unused Sick Leave

Employees may choose to be paid in cash for accrued unused sick leave in excess of four hundred (400) hours up to a maximum of one hundred twenty (120) hours in the first full pay period in January and/or July. The hours will be paid at a rate equal to fifty percent (50%) of the employee's hourly wage. Immediately prior to retirement from employment, employees will be paid accrued sick leave in excess of four hundred (400) hours (two hundred (200) hours maximum) at an hourly rate equal to fifty percent (50%) of their hourly wage. Employees will be solely responsible for any tax consequences of such a sellback of accrued sick leave.

Accrued unused sick leave will not be paid to an employee upon termination from MFA. If an employee is rehired by MFA within twelve (12) months of termination, the employees previously accrued sick leave will be reinstated.

Transfer of Sick Leave

MFA allows an employee to transfer a portion of his/her accrued sick leave to assist a fellow employee who has a serious medical condition. Transfer of sick leave is subject to the following conditions and limitations:

- The ill employee must have exhausted all of his/her own accrued sick and vacation leave prior to obtaining a transfer of sick leave from another employee.
- An employee may not transfer more than forty (40) hours of sick leave in any fiscal year.
- Sick leave may not be transferred from a subordinate to an immediate supervisor.
- The transferring employee must have a minimum of sixty-four (64) hours of sick leave remaining after the transfer.
- Transfer of sick leave will only be available for use during the waiting period of Short-Term Disability.

- Transfer of sick leave can be transferred to an employee that is experiencing a qualifying event that does not involve the employee (i.e., taking care of child or parent).
- The donor and the recipient must complete a Sick Leave Donation/Recipient Request form.
- Any unused sick time that was donated will be transferred back to the donor.
- Donated hours will be transferred to the recipient as needed on a per pay period basis.
- The Human Resources Director must approve the transfer request.
- The Human Resources Director will post the request for donations on MFA's intranet. Employees should not solicit donations on their own.

Transferred sick leave will run concurrently with the amount of Family and Medical Leave (FMLA) of Absence available to an employee under the FMLA policy below, arising out of the same illness or medical catastrophe.

Forty (40) Consecutive Hour Leave

Certain employees are required to take forty (40) consecutive business hours of leave during each full fiscal year following their first twelve (12) months of employment. Any forty (40) consecutive business hours of leave taken will be recorded regardless of how many total leave hours are taken within a fiscal year. All types of leave identified in this Manual, including training conducted away from MFA, may be used to meet the forty (40) consecutive business hour leave requirement except holidays. Waivers to this policy may be granted as necessary and must be approved sixty (60) days in advance by the Executive Director/CEO.

A full copy of the Consecutive Hour Leave Policy can be found on MFA's Intranet.

Paid Holidays

Eligible employees are entitled to pay for holidays observed by MFA. Full-time employees are eligible for eight (8) hours of pay on day of holiday. Part-time employees with benefits are eligible for holiday pay at a pro-rated amount that is determined based on the average amount of hours regularly they were scheduled to work per normal workweek in the previous fiscal quarter. Employees on unpaid leave will not be eligible to receive holiday pay. Employees on a compressed work week will need to request an additional hour of vacation to complete a 9 (nine) hour workday.

Holidays Observed

At the beginning of each calendar year, a list is published detailing paid holidays observed by MFA and their exact dates for that year.

The Holidays that are observed by MFA are:

- New Year's Day
- Martin Luther King Jr. Day
- President's Day
- Memorial Day
- Juneteenth
- Independence Day
- Labor Day
- Indigenous Peoples Day

- Veterans Day
- Thanksgiving Day
- Christmas Day
- Personal Day (please see Paid Personal Day policy above)

Holidays that fall on a Saturday will be observed on Friday before the holiday. Holidays that fall on a Sunday will be observed on the following Monday.

Working on an MFA Paid Holiday

Working on an MFA paid holiday is discouraged and prohibited unless prior approval is obtained from the respective Chief Officer and/or Executive Director/CEO, if applicable.

Exempt Employees: If it is necessary and in the best interests of MFA to work on a paid holiday, then the employee will be granted floating time off equivalent to the actual number of hours worked on the holiday, which should be taken within the calendar year that the holiday is worked.

Non-Exempt Employees: Working on a paid holiday generally is prohibited if it will result in the employee working more than forty (40) hours in a workweek; however, if the respective Chief Officer and/or Executive Director/CEO determines that it is in the best interests of MFA for a non-exempt employee to work on a paid holiday, then the employee will be granted floating time off equivalent to the actual number of hours worked on the holiday. In addition, if the hours worked by the non-exempt employee on the holiday result in the employee working more than forty (40) hours in a workweek, the employee will receive overtime compensation, at the rate of one and one-half times their regular rate of pay, for each hour of overtime worked in that workweek.

Paid Administrative Leave

The Executive Director/CEO or his/her designee may authorize administrative leave with pay, for a reasonable amount of time, due to office closures, under unusual circumstances, or when it is in the best interests of MFA to do so.

Bereavement Leave

Full-time employees are eligible for bereavement leave. Bereavement leave is leave with pay for absences due to the death of the employee's spouse, domestic partner, child, stepchild, child-in-law, mother, father, stepmother, stepfather, mother-in-law, father-in-law, grandparents, grandchildren, brother, sister, or anyone residing in the employee's household, or as approved by the Executive Director/CEO on a case-by-case basis.

Part-Time Employee with Benefits

All part-time employees with benefits are eligible for bereavement leave. Part-time employees will be paid bereavement leave at a pro-rated amount that is determined based on the number of hours regularly scheduled to work.

Bereavement Leave Duration

Approval from the employee's supervisor must be obtained for the requested duration of the leave. Up to four (4) days or thirty-two (32) hours can be granted to an employee per bereavement

occurrence. Up to three (3) additional days or twenty-four (24) hours can be granted if out-of-state travel is necessary. Accrued vacation may be used for any additional time an employee takes in connection with a bereavement occurrence.

Voting Time

MFA encourages all employees to vote at each scheduled election. All employees who are registered voters are entitled to paid time to vote for up to two hours. Scheduling of voting time should be arranged with the employee's immediate supervisor.

Jury Duty/Subpoenas

MFA recognizes that employees who are called to serve on jury duty or subpoenaed as a witness have a legal obligation to do so. MFA provides paid leave to eligible employees for the time necessary to comply with those legal obligations. Full-time employees are eligible for paid administrative leave for jury duty and to appear as a witness in response to a subpoena.

The employee must notify his/her supervisor immediately upon receipt of notice of impending jury duty or required appearance in response to a subpoena before a federal or state grand jury or court or a federal or state agency.

A copy of the notice of jury duty or subpoena must be submitted to the Human Resources Director for the employee's personnel file. When a full-time employee is called for jury duty or to appear as a witness in response to a subpoena before a federal or state grand jury or Court or a Federal or State Agency, the employee will be compensated for his/her regular work schedule. The employee must turn in a timecard receipt to Human Resources showing attendance in order to be compensated. An employee who is subpoenaed in his/her capacity as an employee of MFA will be compensated for his/her regular work schedule, to include overtime pay if applicable.

Employees who are dismissed early from jury duty should return to work if four (4) or more hours remain in the regularly scheduled workday or use accrued vacation time.

For an employee who is a plaintiff or a defendant in a lawsuit unrelated to his/her employment by MFA, accrued vacation leave may be used for time off from work required for the litigation, and/or the employee may request leave without pay which must be authorized by the Executive Director/CEO or his/her designee.

Attendance fees received for jury duty or witness fees received in connection with a subpoena must be remitted to MFA's Human Resources Director. Travel reimbursement received for jury duty must be remitted to MFA if the court destination is in the Albuquerque downtown area.

Parents with School Aged Children

MFA will allow up to four (4) hours of paid leave for the fall semester and up to four (4) hours of leave in the spring semester to allow parents, aunt, uncle, stepparents, grandparents, brother, sister, or anyone residing in the employees' household, or as approved by the Executive Director/CEO on a case-by-case basis, that have school aged children to attend parent-teacher conferences and/or meetings. (Employees may use accrued sick leave in excess of these four (4)

hours for meeting at the employee's child's school or place of care related to the child's health or disability.)

Employees will be required to complete a Parent Teacher Conference form and approval of leave needs to be approved by the Supervisor, Human Resources Director and Executive Director/CEO and must be turned into payroll for processing.

Inclement Weather

If MFA decides to close the offices due to inclement weather, all employees will be contacted via text, email and/or a phone call from MFA's alerting system. Time for that day will be charged to paid administrative leave. If the weather conditions are too dangerous, such that an employee cannot travel to work, the employee may stay home after notifying his/her supervisor as required by the attendance policy and call-in procedures. Vacation time or personal days must be used to cover the absence, otherwise the time off will be unpaid. Delays and office closings occurring on a day that an employee is telecommuting will not apply to that employee's work schedule because the employee will not have to commute.

It is at the employee's discretion to adhere to weather related office closures.

Office Closure

If MFA decides to close the office due to an unforeseen event, all employees will be contacted via text, email and/or a phone call from MFA's alerting system. This time will be charged to paid administrative leave. Lunches and breaks are not to be taken in conjunction with the beginning of a workday or end of a workday. Office closings occurring on a day that an employee is telecommuting will not apply to that employee's work schedule because the employee will be working away from the office.

LEAVES OF ABSENCE

Family and Medical Leave Policy

Eligible employees may be entitled to a leave of absence in accordance with the Family and Medical Leave Act (FMLA). Employees who are ineligible for leave under the FMLA may nonetheless be granted unpaid medical leave of a definite duration, if necessary, as a reasonable accommodation under the Americans with Disabilities Act (ADA). This policy is intended as a guideline, and it is not intended to provide employees with greater rights than they are afforded under the FMLA or the ADA. All terms used in this policy are defined the same as they are defined in the FMLA and ADA and their implementing regulations.

Eligibility for FMLA Leave

FMLA leave is available to eligible employees. An eligible employee must:

- Have been employed by MFA for at least twelve (12) months (which service need not be consecutive);
- Have been employed by MFA for at least twelve hundred and fifty (1,250) hours of service during the twelve (12) month period immediately preceding the commencement of the leave; and
- Be employed at a worksite where fifty (50) or more employees are located within seventy-five (75) miles of the worksite.

Basic FMLA Leave Entitlement

Eligible employees are entitled to take up to 12 weeks of unpaid FMLA leave in a 12-month period for the following circumstances:

- During the 12 months following the birth of a natural child in order to care for that child.
- During the 12 months following the placement of a child with an employee for adoption or foster care; or
- For the serious health condition of the employee or to care for the employee's spouse, domestic partner, child (biological, adopted or foster children, stepchild, legal ward, or a child of a person standing *in loco parentis*), or parent (biological or who stands or stood *in loco parentis*) who has a serious health condition.

Servicemember Leave Entitlement

Eligible employees with a spouse, domestic partner, son, daughter, or parent on active duty or call to active duty in the Armed Forces, National Guard, or Reserves who are deployed to a foreign country may use their 12 weeks of FMLA leave entitlement to address certain qualifying exigencies. Qualifying exigencies include: (1) short-notice deployment (*i.e.*, seven days or less of notice); (2) military event and related activities; (3) arranging for alternative childcare; (4) financial and legal arrangements; (5) counseling; (6) rest and recuperation; (7) post-deployment activities; and (8) any other event that the employee and MFA agree is a qualifying exigency.

An eligible employee who is the spouse, son, daughter, parent, or next of kin of a covered servicemember is also entitled to take up to 26 work weeks of FMLA leave during a 12-month period to care for the servicemember who incurred a serious injury or illness in the line of active

duty in the Armed Forces. The combined total leave in any single applicable 12-month period for servicemember family leave and any other qualify FMLA leave is 26 workweeks, although servicemember family leave does not limit the availability of FMLA leave.

Intermittent Leave and Reduced Leave Schedules

An employee with a serious health condition or with a spouse, parent, or child with a serious health condition, or an employee on servicemember family leave to care for a servicemember may be entitled to take FMLA leave on an intermittent or reduced leave schedule. MFA may require an employee who chooses this option to transfer temporarily to an alternative position which better accommodates MFA's workflow. The employee will receive equivalent pay and benefits during the temporary transfer.

FMLA Leave Counting

FMLA leave will be counted on a "rolling" 12-month period measured backward from the date an employee uses such leave. In other words, each time an employee takes FMLA leave, the remaining FMLA leave entitlement would be the balance of the 12 weeks (or 26 weeks, if applicable) that has not been used during the immediately preceding 12 months.

No Work While on Leave

Accepting another job while on FMLA leave or any other authorized family or medical leave of absence is grounds for immediate termination, to the extent permitted by law.

Use of Paid Leave and Continuation of Benefits

Employees may be required to use accrued sick leave for any part of unpaid FMLA leave. If an employee has exhausted all of his/her accrued sick leave while on FMLA leave, the employee may elect to use accrued vacation for the remainder of the unpaid FMLA leave. The use of accrued sick leave and/or accrued vacation leave while on FMLA leave does not extend the duration of the FMLA leave allowed.

Health and life insurance coverage will be continued for employees on leave on the same terms that such coverage would have been provided if the employee had continued employment. If the employee fails to return to work from FMLA leave, MFA may recover premiums paid for maintaining the employee's health coverage.

Restoration of Employment and Benefits

If the employee returns to work within 12 weeks following FMLA leave (or 26 weeks, if applicable), the employee will be reinstated to his or her former position or to an equivalent position in terms of pay, benefits, status, and seniority. The employees' restoration rights are the same as they would have been had the employee not been on leave. If the position would have been eliminated or the employee would have been terminated but for the leave, the employee does not have the right to reinstatement upon return from leave. If the employee fails to return to work by the previously agreed-upon date, in the absence of further communication, the employee will be considered to have abandoned his or her job.

If the employee is unable to return to work upon the exhaustion of the employee's FMLA leave for his or her own serious health condition, MFA will engage in the interactive process to

determine whether the employee is a qualified individual with a disability and whether additional leave or some other reasonable accommodation can be provided. If no reasonable accommodation can be provided or reasonable accommodation would result in an undue hardship for MFA, then the employee who fails to return to work from FMLA leave will may be medically separated.

Notice and Certification Requirements

For foreseeable FMLA leaves such as births or adoptions and planned medical treatments, employees are required to give 30 days of advance notice. For unforeseeable FMLA leaves such as the onset of a serious medical condition of the employee or a family member, employees are required to provide as much advance notice as possible under the circumstances. The failure to give advance notice when required may result in the denial of the requested FMLA leave.

Within 5 days after the employee requests leave or after MFA learns that leave already taken may be for an FMLA-qualifying reason, MFA will provide written notice stating whether the employee is eligible for FMLA leave and, if not eligible, provide at least one reason why not. MFA will also provide a written notice stating whether FMLA leave is available, how much leave has been designated as FMLA leave, and how much leave remains. For a leave of unspecified duration, MFA will update the notification every 30 days as to how much leave has been designated as FMLA leave and how much available FMLA leave remains.

For requested FMLA leave for a serious health condition of the employee or a family member (including a covered servicemember's serious injury or illness), the employee will be required to have a qualified health care provider complete the Certification of Health Care Provider Form for Family and Medical Leave. The purpose of the Certification is for the health care provider to certify the employee's own serious health condition, the family member's serious health condition, or the covered service member's serious injury or illness. The Certification for the serious health condition of a family member or covered service member should further indicate the need for the employee's attendant care for the family member or for the covered service member. MFA may require a second or third opinion, periodic reports on status and intent to return to work, and/or a fitness-for-duty report to return to work. Failure to timely provide requested documentation may result in the denial or delayed approval of requested FMLA leave. Documentation relating to the employee's or family member's medical condition will be held in strict confidence and maintained in the employee/s medical records file.

Military Leave of Absence

MFA is required under the Uniformed Services Employment and Reemployment Rights Act (USERRA) and state law to provide enhanced leave rights and job protections for employees absent for military service.

Eligibility: Every employee who is a member of the uniformed services is eligible for military leave of absence regardless of length of employment or part-time status, with the exception of workers employed for brief, non-recurrent periods.

USERRA applies to employees who are members of the uniformed services of the United States, which include the Army, Navy, Air Force, Marine Corps., Coast Guard, and their reserves; the Army and Air National Guards, including periods of training; the Public Health Service

commissioned corps: and other categories that may be designated by the President in times of emergency.

A military leave of absence includes voluntary or involuntary active duty, active duty for training, inactive duty training, and full-time National Guard duty. It also includes any absence needed for an examination to determine whether a person is fit to perform military duty.

Request

Unless the giving of advance notice is impossible, unreasonable, or precluded by military necessity, an employee who requests military leave of absence must submit a copy of the military orders or other official documentation, to the employee's supervisor, for approval by the respective Chief Officer, or the Executive Director/CEO if appropriate. Employees must give written or verbal notice of the need for military leave as far in advance as is reasonable under the circumstances, preferably at least thirty (30) days in advance of the start of the military leave.

Nature of Military Leave

An employee's salary will not continue during a military leave, with one exception: if an employee is a member of an organized reserve unit of the armed forces, MFA will give the employee up to fifteen (15) working days of military leave with pay annually (based on a military training year) in addition to other authorized unpaid leave when the employee is ordered to active-duty training or for the purpose of attending officially authorized training or instruction.

An employee may request to use any vacation or sick leave they have accrued to cover all or part of their military leave. Health benefits coverage will continue for thirty-one (31) days as long as the employee pays their normal portion of the cost of benefits during that period. For leave lasting longer than thirty-one (31) days, an employee will be eligible to continue health benefits under COBRA and will be required to pay the total cost of their health benefits if they wish to continue benefits.

Reemployment Rights

To be entitled to reemployment rights, an employee on military leave must report back to work or apply for reemployment at MFA according to the following schedule:

- If the military leave was less than 31 days, the employee must return to work the next regularly scheduled workday following completion of his/her military service and the expiration of eight (8) hours after a time for safe transportation back to his/her residence.
- If the military leave was 30 days to 180 days, the employee must apply for reemployment with MFA no later than 14 days following the completion of his/her military service.
- If the military leave was 181 or more days, the employee must apply for reemployment with MFA no later than 90 days following the completion of his/her military service.

An employee's failure to reapply for reemployment within these deadlines may result in the employee being denied reemployment at MFA following his or military service.

Upon application for reemployment, the employee will be required to provide MFA with military discharge documentation to establish the timeliness of the application for reemployment, the duration of the military service, and his/her honorable discharge. Upon return from military leave, an employee will be reinstated with the same seniority, pay, status, and benefit rights that they would have had if they had worked continuously. If service was for less than ninety (90) days, the employee will be restored to the same job. If service was longer than ninety (90) days, the employee must be restored to his/her their same job or another job of like seniority, status, and pay, the duties of which the employee qualified to perform.

If an employee was a participant in MFA's 401(k) and/or 457(b) retirement plans at the time they left for military duty, they will be permitted to make additional contributions to the plan(s) as of their reemployment date.

Rights for reemployment and benefits depend upon satisfactory completion of military service. MFA is not required to reemploy a returning employee if the employee fails to apply for reemployment in a timely manner; if MFA's circumstances have so changed as to make reemployment impossible or unreasonable; if reemployment would pose an undue hardship upon MFA; if the employee's employment prior to the military leave was for a brief, non-recurrent period and there was no reasonable expectation that the employment would have continued indefinitely or for a significant period; or if the employee was separated due to a dishonorable or bad conduct discharge or under less than honorable conditions.

Paid Parental Leave Policy

Purpose

The New Mexico Mortgage Finance Authority (MFA) will provide eligible employees with paid parental leave. The purpose of paid parental leave is to provide parents with time to care for and bond with their new child(ren). Eligible employees as defined in this policy will be provided twelve (12) workweeks of fully paid parental leave following the birth or adoption of a child. This policy will run concurrently with leave taken under the Family and Medical Leave Act (FMLA), as applicable.

New Mexico Mortgage Finance Authority will provide up to 12 weeks of paid parental leave to employees following the birth of an employee's child or the placement of a child with an employee in connection with adoption or foster care.

Eligibility

To be eligible for paid parental leave, employees must meet the following criteria:

- Be a full-time, regular employee.
- Have been employed with MFA for at least 12 consecutive months prior to the start of the paid parental leave, excluding any temporary and term employment.
- Have given birth to a child or be a spouse or domestic partner of a woman who has given birth to a child, (an affidavit for domestic partnership must be on file with human resources at the time leave is requested) or
- Have adopted a child (the child must be age 17 or younger).

- Children brought into the household due to marriage or domestic partnership would not be a qualifying event for paid parental leave.

Duration and Timeframe of Paid Parental Leave

- Eligible employees will receive a maximum of 12 weeks of paid parental leave for the birth, adoption of a child or children in the six-month time frame immediately following the birth or placement.
- All paid parental leave must be taken during the first 6 months following the birth, adoption, or foster care placement of the child. Parental leave not utilized within the 6-month period or any unused paid parental leave will be forfeited.
- Eligible employees may utilize one term of paid parental leave (up to 12 weeks) per birth or adoption event.
- Employees must take paid parental leave in one continuous period of leave.
- Paid parental leave taken under this policy will run concurrently with leave under the FMLA, any leave taken under this policy will also be counted toward the 12 weeks of available FMLA leave.
- If both parents or domestic partners work for MFA, each parent or domestic partner is eligible to receive paid parental leave under this policy.
- Paid parental leave may not be donated to any other employee.

Pay and Benefits During Parental Leave

- Each week of paid parental leave is compensated at regular, straight-time weekly pay.
- Paid parental leave will be paid on a bi-weekly basis on regularly scheduled pay dates.
- If a holiday occurs while the employee is on paid parental leave, it will be paid as holiday pay; however, it will not extend the total paid parental leave entitlement.
- Employees will continue to accrue vacation and sick time during paid parental leave.
- Upon termination of the employment at MFA, he or she will not be paid for any unused paid parental leave for which he or she was eligible.

Requests for Paid Parental Leave

- The employee will provide his or her supervisor and the human resource department with notice of the request for leave at least 30 days prior to the proposed date of the leave (or if the leave was not foreseeable, as soon as possible).
- The employee must complete the necessary HR forms and provide all documentation as required by the HR department to substantiate the request.

New Mexico Mortgage Finance Authority reserves the right to interpret this policy, or to modify it as business needs dictate with or without notice.

Personal Leave of Absence/Leave without Pay

The Executive Director/CEO or his/her designee may authorize a personal leave of absence with or without pay, for a reasonable amount of time, under unusual circumstances when it is in the best interests of MFA to do so. Employees requesting a personal leave of absence without pay for eight (8) hours in a pay period or more must submit a completed Personnel Action Form. The granting of a personal leave of absence without pay for more than eight (8) hours is solely within the discretion of the Executive Director/CEO or his/her designee.

Except as otherwise described in MFA's Vacation and Sick leave "Use" policies, appropriate accrued vacation and/or sick leave must be exhausted before applying for personal leave or leave without pay.

Reinstatement

Reinstatement following an unpaid personal leave of absence is not guaranteed. Management will attempt to reinstate an employee returning from a personal leave of absence into the employee's former position or, if that is not available, a comparable position. If the employee's former position is not available, Management will consider the employee for any available position for which he or she is experienced and qualified.

Educational Leave

Full-time employees are eligible to request educational leave with or without pay for training related to their position with MFA. The granting of educational leave of absence is solely within the discretion of the Executive Director/CEO or his/her designee.

Domestic Abuse Leave

An employee may take up to fourteen (14) days or 112 hours per calendar year to:

- Pursue an order of protection or other judicial relief from domestic abuse.
- Meet with law enforcement officials, consult with attorneys, or district attorneys' victim advocates, or attend court proceedings related to domestic abuse of themselves or a member of their family.
- Obtain medical or psychological treatment or other counseling, relocate, prepare for or participate in legal proceedings, or obtain services or assist a family member of the employee with any of these activities due to domestic abuse, sexual assault, or stalking suffered by the employee or a family member of the employee.
- An employee may choose to use accrued sick, or vacation leave for any domestic abuse leave.

Definition

"Domestic Abuse" for purposes of this policy means an incident of stalking or sexual assault whether committed by a household member or not, or any incident by a household member against another household member consisting of or resulting in:

- physical harm
- severe emotional distress
- bodily injury or assault
- a threat causing imminent fear of bodily injury by any household member
- criminal trespass
- criminal damage to property
- repeatedly driving by a residence or workplace
- telephone harassment
- harassment; or
- harm or threatened harm to children

Notice

In an emergency, employees needing domestic abuse leave must notify MFA within twenty-four (24) hours of starting the leave. Otherwise, employees needing domestic abuse leave must provide as much notice as possible in the circumstances. Notification can be given to the employee's supervisor/manager, the Human Resources Director, respective Chief Officer, or Executive Director/CEO.

Use of Sick Leave

An employee who has accrued sick leave available may elect to use any accrued sick leave to receive payment during their absence. An employee who does not have accrued sick leave available for all or part of their domestic abuse leave may elect to use any accrued vacation leave to receive payment during their absence. Any employee who does not have either accrued sick leave or accrued vacation leave available may take domestic abuse leave without pay.

Verification

Employees must provide MFA with verification of the leave as soon as verification is obtained. The verification may be a police report indicating that the employee or a member of the employee's family was a victim of domestic abuse; a copy of an order of protection or other court evidence produced in connection with an incident of domestic abuse; or a written statement from the employee's attorney, district attorney's victim advocate, or prosecuting attorney stating that the employee, employee's child, or a child for whom the employee is a guardian appeared or is scheduled to appear in court in connection with an incident of domestic abuse.

Confidentiality

MFA will keep all information regarding domestic abuse leave strictly confidential, including the fact that the employee or employee's family member was involved in a domestic abuse incident; that the employee requested or took domestic abuse leave; and the verification provided by the employee. No information regarding domestic abuse leave will be kept in personnel files. MFA will disclose information related to domestic abuse only when the employee consents, or when a court or administrative MFA orders such disclosure, or when such disclosure is otherwise required by federal or state law.

No Retaliation

MFA will not penalize or retaliate against an employee for requesting or taking domestic abuse leave. MFA will not withhold benefits coverage from an employee during the time they are on domestic abuse leave. Time taken for domestic abuse leave will not be included in calculating eligibility for benefits.

SAFETY, VIOLENCE, SECURITY, AND DRUG AND ALCOHOL-FREE WORKPLACE

Safety

It is the intent of the MFA Board of Directors and Management to ensure a safe, productive work environment and to protect all employees and MFA property from harm. Safety is the responsibility of all employees. Every effort should be made to develop safe working conditions.

For the safety of MFA's employees and visitors the following rules apply:

- Restrooms are for use only by MFA employees and visitors who have legitimate business reasons for being on the premises.
- All visitors, including family and friends of employees, and business associates, will be required to remain in the lobby until the appropriate employee is notified and physically greets the visitor.
- All visitors must sign in at the reception desk and must be escorted to the appointed destination.
- At the conclusion of meeting, all visitors must be escorted back to the reception desk to sign out

If anyone becomes aware of a potential hazard, it must be reported to Management or to the employee's supervisor immediately.

Work-Related Injuries and Illnesses

Federal law requires that MFA keep records of all accidents and illnesses that occur during the workday. State law also requires that employees report any injury or illness sustained on the job, no matter how minor it may be. Employees must inform Human Resources immediately and complete an accident report no matter how minor the injury may appear. If an employee fails to report an injury, his or her right to collect workers' compensation payments and health benefits may be jeopardized.

If anyone becomes aware of a potential hazard, it must be reported to Management or to the employee's supervisor immediately.

Restraining Orders

Employees are required to inform their direct supervisor if they have obtained a court-ordered restraining order against any person. A copy of the restraining order must be provided to Human Resources as soon as it is issued by a court.

Use of Personal and MFA-Issued Cell Phones

The use of personal or MFA-issued cell phones while at work may present a hazard or distraction to the user and/or co-employees. This policy is meant to ensure that cell phone use during work hours is safe, does not disrupt business operations, and is consistent with other policies regarding MFA property.

Employees whose job responsibilities include regular or occasional driving and who use a cell phone for business are expected to use caution while driving. Cell phones may **not** be used for

MFA business purposes while driving **unless** they are equipped with a hands-free device or built-in speakers that allow for hands-free use. Text messaging is prohibited while driving during work hours.

Under no circumstances are employees allowed to place themselves at risk when using cell phones to fulfill business needs. Employees who are charged with traffic violations resulting from the use of their phone while driving will be solely responsible for all fines that result from such actions. Employees in possession of company equipment such as cellular phones are expected to protect the equipment from loss, damage, or theft.

Employees in violation of this policy will be subject to disciplinary action, up to and including termination of employment.

Building Access

MFA strives to provide exceptional customer service. This includes having walk in customers for the full ranges of programs provided on a regular basis. MFA's customer service policies and MFA's location bring with it some risks. Staff must be vigilant when entering the building to ensure no one, other than MFA staff, enters the building with them unless they have been identified and are escorted to the receptionist desk.

Violence

MFA seeks to provide a safe workplace for all employees. Violence of any kind will not be tolerated at MFA. Violence, causing physical harm to another, or threats of violence and/or the possession of a firearm in the MFA building is prohibited and will result in disciplinary action, up to and including termination of employment. Refusal to permit inspection for the presence of a firearm in MFA workspace, or refusal to participate in an investigation into workplace violence may also result in disciplinary action, up to and including termination of employment.

The procedures outlined below should be followed if employees or visitors to MFA become violent or threatening:

- Any employee who feels he/she is in imminent danger, should call 911, otherwise;
- Call the receptionist at extension 2201. He/she will follow the emergency response procedures.
- Remain calm so as not to heighten the situation.
- Do not physically try to calm the situation or restrain the individual.
- Forward harassing or threatening phone calls to the Human Resources Director.

Security

MFA is closed and secured at all times other than business hours.

If the building is entered at times other than business hours, the building security alarm will activate. At this time, the alarm company will attempt to contact MFA office by telephone. If no one answers the telephone and/or the security code is not given, the security company will assume a breach of security and the police will be called.

Every attempt should be made to use care in entering and leaving the building without accidentally setting off the alarm. Employees must immediately notify their supervisor or the Facilities Coordinator in cases of accidental alarm activation.

Drug and Alcohol-Free Workplace

MFA will not tolerate the use, sale, manufacture, distribution, purchase, and/or possession of illegal controlled substances (including medical cannabis and recreational marijuana) or alcohol during work hours or in its workplace, inspection sites, office rental vehicles, and personal vehicles when mileage is reimbursed by MFA. Being under the influence of alcohol/drugs while at work or consuming drugs/alcohol while on breaks or lunch is not permitted. Receiving a DUI (Driving under the Influence) citation will not be tolerated and may result in termination of employment. A full disclosure to immediate supervisor who is required to report to respective Chief Officer or Executive Director/CEO and Human Resources Director is required within twenty-four (24) hours of receipt of such violation and or citation.

Disclosure is required for prescription medications (including medical cannabis) that may cause impairment. Human Resources will maintain the confidentiality of such information on a strict need-to-know basis.

MFA wants to continue to provide a safe and healthy work environment for employees and clients that is free from drugs and alcohol. The following policy is in furtherance of that goal.

MFA prohibits:

- The use, possession, solicitation for, or sale of narcotics or other illegal drugs, alcohol, or prescription medication without a prescription on MFA premises
- Being impaired or under the influence of legal or illegal drugs or alcohol away from MFA premises while on a work assignment if such impairment or influence adversely affects the employee's work performance, the safety of the employee or of others, or puts at risk MFA's reputation
- Being impaired or under the influence of legal or illegal drugs or alcohol during any MFA-sponsored event, or event in which MFA participates, and regardless of whether the employee is still considered to be working, if such impairment or influence adversely affects the employee's work performance, the safety of the employee or of others, or puts at risk MFA's reputation
- Possession, use, solicitation for, or sale of legal or illegal drugs or alcohol away from MFA premises, if such activity or involvement adversely affects the employee's work performance, the safety of the employee or of others, or puts at risk MFA's reputation
- The presence of any detectable amount of prohibited substances in the employee's system while at work, while on the premises of MFA, or while MFA business. "Prohibited substances" include illegal drugs, alcohol, recreational marijuana, or prescription drugs not taken in accordance with a prescription given to the employee

Medical Cannabis

Employees shall not use, possess, or be impaired by medical cannabis or marijuana when they report to work or while on duty irrespective of their status as a registered or authorized user of medical cannabis under state law.

Any employee in a safety-sensitive position who tests positive for cannabis components or metabolites may be subject to discipline, up to and including termination of employment, irrespective of the employee's status as a registered or authorized user of medical cannabis or cardholder status. A "safety-sensitive position" is any job designated by MFA that includes duties or tasks that MFA has determined could affect the safety or health of the employee or others, including but not limited to operating a motor vehicle, equipment, machinery, or power tools.

Any employee in a non-safety-sensitive position who tests positive for cannabis components or metabolites will not be disciplined based solely on the positive test if they are a registered or authorized user of medical cannabis. However, if there is a good-faith reason to believe that such an employee was impaired by medical cannabis when the employee reported to work or while on duty, the employee may be subject to discipline, up to and including termination of employment, irrespective of the employee's status as a registered or authorized user of medical cannabis or cardholder status. A good-faith belief that an employee is impaired may be based on any of the following: observed conduct, behavior, or appearance; written, electronic, or verbal statements; video or audio recordings; records of government agencies, law enforcement agencies, or courts; and any other information reasonably believed to be accurate or reliable.

Any employee who has been prescribed medical cannabis or its components by a healthcare provider who is legally authorized to issue such a prescription may request a reasonable accommodation to the Human Resources Director. MFA will make an individualized assessment as to whether the employee can and will be accommodated, which accommodation may include but not be limited to authorizing a medical leave of absence while the employee is actively using medical cannabis or its components, temporarily relieving the employee of safety-sensitive duties while the employee is actively using medical cannabis or its components, and/or permanently reassigning the employee from a safety-sensitive position to an open non-safety-sensitive position for which the employee is otherwise qualified. MFA reserves the right to deny any request for accommodation that is required under federal or state law and/or that would create an undue hardship.

Drug & Alcohol Testing

MFA may ask an employee to submit to a drug and/or alcohol test at any time under any of the following circumstances:

Reasonable Suspicion Testing

"Reasonable suspicion" exists when an employee exhibits patterns of behavior that suggest impairment from drug or alcohol use or when job performance or safety is affected. An employee may be requested to take a drug test or alcohol test if management officials or supervisors have reasonable cause to believe that the employee's faculties are impaired while at work due to drug or alcohol use. For purposes of this policy, actions by an employee which will support "reasonable; suspicion" drug or alcohol testing include, but are not limited to, unauthorized leave from work areas; excessive tardiness when returning from breaks or meal periods; accidents on the job; evidence of drugs or alcohol on or about the employee's person or in the employee's vicinity; and significant swings on normal behavior, morale, or level of

productivity. Reasonable suspicion testing will be preceded by the supervisor completing a Reasonable Suspicion Checklist in a form provided by Human Resources.

Drug and alcohol tests will be done by a certified private laboratory selected by the MFA and this laboratory will ensure that split samples are taken so that retesting can be done if requested by the employee. Positive test results may result in the termination of employment. If an employee is tested for drugs or alcohol outside of the employment context and the results indicate a violation of this policy, or if an employee refuses a request to submit to testing under this policy, the employee also may be subject to appropriate disciplinary action, up to and including termination of employment. In such a case, the employee will be given an opportunity to explain the circumstances prior to any final employment action becoming effective.

MFA maintains an Employee Assistance Program (EAP) under which employees may seek assistance. In the event of a positive drug or alcohol test, however, a referral to the EAP may or may not be available under the circumstances.

Any employee violating this policy will be subject to disciplinary action up to and including termination of employment. In lieu of termination, MFA may grant the employee a leave of absence to participate in and successfully complete a drug/alcohol abuse assistance program or rehabilitation program approved by a federal, state or other appropriate agency.

The employee will not be permitted to return to work until certification is presented to the Human Resources Director that the employee is capable of performing their job. Failure to cooperate with an agreed-upon treatment plan may result in disciplinary action to include termination.

Participation in a treatment program does not insulate an employee from disciplinary action for violations of this or other MFA policies. An employee who has been arrested for a violation of a criminal drug statute that occurred during work hours is required to notify MFA no later than five calendar days after such conviction. MFA will decide on a case-by-case basis whether to terminate the employee or place the employee on unpaid administrative leave pending the outcome of the criminal charges against the employee.

STANDARDS OF CONDUCT & DISCIPLINARY ACTION

Groups of people who work together for any purpose require certain guidelines regarding their conduct and relationships. MFA expects employees to conduct themselves in an honest, polite, respectful, and professional manner at all times, which includes being well-mannered and respectful to one another, as well as to visitors, customers, associates, and partners of MFA.

Misconduct

As previously stated, employment with MFA is at will and either the employee or MFA may terminate the employment relationship at any time, for any or no reason, and with or without advance notice. Although Management may attempt to help employees correct their behavior through progressive discipline or other means, immediate termination is always an option. Although there is no way to identify every possible violation of standards of conduct that might rise to the level of misconduct, the following is a partial list of examples that will result in discipline, up to and including termination of employment:

- Fighting or other disorderly conduct.
- Loud and/or disruptive behavior.
- Theft from MFA or a co-worker.
- Dishonesty of any kind.
- Failure to complete or falsification of any document or record, including hiring and timekeeping records including Personnel Activity Reports.
- Unauthorized use or disclosure of MFA's confidential information and/or records, such as salary information, or other confidential information, which may become available to the employee during employment.
- Violation of MFA's Confidentiality Agreement.
- Deliberate conflict of interest.
- Willful destruction or negligent abuse, waste, or theft of MFA property or the property of a co-worker.
- Any use of illegal drugs or abuse of prescription drugs, or being under the influence of drugs or alcohol, during working hours or on MFA premises.
- Possession of any weapons or firearms on MFA premises.
- Threatening, intimidating, bullying, defaming, or coercing others by word or action.
- Engaging in discrimination, including sexual or other harassment, of an MFA employee or any visitor, customer or person providing services to MFA.
- Violation of any safety, security, or health rules.
- Engaging in any actions prohibited by the Fair Housing Amendments of 1988.
- Insubordination (including refusal to accept a job assignment or to acknowledge written counseling).
- Failure to perform job responsibilities.
- Not performing at an acceptable level of competency.
- Repeated absenteeism and/or tardiness.
- Unauthorized use or misuse of MFA property (for example, unauthorized use or misuse of MFA's computers or E-mail).
- Unauthorized soliciting, collecting contributions or distribution of literature for any purpose on MFA premises.

Disciplinary Action

Management in its sole discretion determines what disciplinary steps or action may be appropriate to address employee behavior and/or performance problems. Disciplinary action may take different forms, depending upon the specific facts and circumstances, including, but not limited to, the following:

- Oral counseling, which may or may not be documented in writing.
- Written counseling signed by the employee's supervisor and acknowledged by the employee and placed in the employee's personnel file after consultation with the employee.

Additional disciplinary steps that may be taken, depending upon the seriousness of the behavior or performance problem being addressed, including but are not limited to the following, which may be taken only with the approval of the Executive Director/CEO:

- Delay in expected salary adjustments.
- Evaluations other than annual.
- Suspension without pay.
- Performance and/or conduct improvement plan.
- Demotion.
- Termination.

Not all of the foregoing steps may be required to correct instances of inappropriate employee behavior, poor performance or misconduct, nor are these steps required to be taken in the order in which they are listed. Because of the at-will nature of employment at MFA, employment may be terminated by MFA or the employee, at any time, for any reason or for no reason, with or without advance notice and with or without disciplinary steps having first been followed.

Disagreements with Supervisors

While MFA strives to maintain pleasant and effective working conditions, it recognizes that misunderstandings and disagreements between employees and their supervisors may arise. In such cases, and in cases where disciplinary action has been taken with which an employee is dissatisfied, the following procedures will generally be followed:

- The employee should first discuss the problem or disciplinary action with his/her supervisor.
- The supervisor will make a decision regarding the problem or disciplinary action based on discussions with the employee.
- Every effort should be made to resolve problems or conflicts with the immediate supervisor prior to utilizing the chain of command.
- If the employee does not agree with the decision of the supervisor, the employee should consult with the next level of management.
- The next level of management will confer with all parties and make a decision about the problem or corrective action.
- If the employee does not agree with the decision, the employee should consult with the Human Resources Director.
- The Human Resources Director will confer with all parties and then make the final decision about the problem or corrective action, unless the disagreement involves the Human Resources Director, in which event the Executive Director/CEO or his/her designee will make the final decision.

ANTI-DISCRIMINATION AND HARASSMENT POLICY

Objective

MFA is committed to maintaining an employment environment in which all individuals are treated with respect and dignity. Each individual has the right to work in an atmosphere that promotes equal opportunities and prohibits discriminatory practices and harassment.

Discrimination or harassment based on an individual's race (including on the basis of traits historically associated with race, such as hair texture, length of hair, protective hairstyles, or cultural headdresses), gender, color, religion, sex, sexual orientation, gender identity, marital status, pregnancy, parenthood, national origin, age, physical or mental disability, serious medical condition, genetic information, status with regard to public assistance, status as a veteran, ancestry, or any other classification protected by applicable federal, state or local law, is strictly prohibited and will not be tolerated by MFA.

This anti-discrimination and harassment policy prohibits any type of discrimination or harassment by any MFA employee against any individual in our workplace, and in other work-related settings such as business trips and social events attended by employees. MFA also will not tolerate any form of discriminatory or harassing behavior against an MFA employee by any non-employees, such as visitors, customers, associates, or persons providing services or products to MFA.

Harassment Defined

Sexual and other harassment are forms of discrimination that are prohibited by Title VII of the Civil Rights Act of 1964 and 1991, and by the New Mexico Human Rights Act.

Harassment refers to unwelcome behavior that is based on a protected characteristic of the person(s) being harassed (e.g., age, sex, religion, national origin, etc.), and that creates an intimidating, hostile or offensive working environment. Harassment in the workplace is demeaning to the person(s) against whom it is practiced and destroys the fair and harmonious working environment essential to the continued success of MFA.

Prohibited harassment may take many forms, including, but not limited to, the following:

- Harassing or discriminatory remarks or actions against an individual or group on the basis of their race (including on the basis of traits historically associated with race, such as hair texture, length of hair, protective hairstyles, or cultural headdresses), gender, color, religion, sex, sexual orientation, gender identity, marital status, pregnancy, parenthood, national origin, age, physical or mental disability, serious medical condition, genetic information, status with regard to public assistance, status as a veteran, ancestry or any other characteristic protected by law.
- Crude/vulgar language, sexual advances or other verbal, visual, or physical conduct of a sexual nature, intimidation, baiting, hazing, bullying, banter/teasing, spreading rumors, sending or posting offensive or lewd materials (including pictures, sayings or cartoons), ridicule, hostility and threats or acts of violence.
- Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when:
 - A. submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.

- B. submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting the individual; or
- C. such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

REPORTING DISCRIMINATION OR HARASSMENT

Employee Responsibilities:

- All employees are equally responsible and accountable for maintaining a workplace that respects the dignity and rights of their fellow employees and the customers they serve.
- Employees are encouraged to be supportive of one another and sensitive to remarks and actions that can be personally harmful and/or disruptive to others in the workplace.
- Employees who believe they are being discriminated against or harassed are encouraged to firmly and promptly inform the offender that his/her behavior is unwelcome, harmful, or offensive. Some offenders may be genuinely oblivious to the effect of their words or conduct on other people and might be willing to change if they knew they were hurting or offending someone. However, MFA recognizes that power and status disparities between an alleged harasser and a target or other circumstances may make such a confrontation difficult or impossible in some instances.
- Any employee who is aware of or who has experienced an incident of discrimination or harassment should report the matter immediately to his/her supervisor or any member of Management to minimize the risk of repeat incidents or retaliation by the offender.
- If the supervisor is the offender, report the incident to Management. If Management is the subject of the report, the employee should inform the Human Resources Director.
- Reports of discrimination or harassment, whether oral or written, should include an accurate, detailed description of the objectionable behavior, including date(s), time(s), and place(s) of the alleged discrimination or harassment, and should identify any other individuals who may have witnessed or heard the offensive conduct.

Supervisor, Manager and Management Responsibilities:

- Supervisors, managers and Management must serve as positive role models with respect to proper conduct in the workplace.
- Along with their own conduct, supervisors, managers and Management should always be alert in identifying negative behavior among employees, whether intentional or not, that may affect the work environment.
- Supervisors, managers and Management should also encourage employees to discuss and ask questions to become better informed and to bring concerns and observations to the attention of their supervisors for discussion and follow-up, as appropriate.
- In the event that a supervisor, manager or Management becomes aware of a discrimination or harassment incident or complaint, or potential problem situation, he/she should contact the Human Resources Director immediately for guidance in investigating and addressing the problem.
- Supervisors, managers and Management should cooperate fully with efforts to investigate and resolve any complaints of discrimination or harassment.

Investigation of Reports

Investigation of all reports of discrimination or harassment will be undertaken promptly in as discreet and confidential a manner as possible. Cooperation and discretion by all employees contacted during an investigation is required.

If a complaint of discrimination or harassment is substantiated, appropriate corrective action will be taken, depending upon the circumstances. Employees found to have engaged in discrimination or harassment will be subject to appropriate discipline, up to and including termination of employment.

Retaliation

MFA will not tolerate any retaliation against any employee who makes a report of harassment or discrimination or who participates in an investigation of a report or claim of harassment or discrimination. Any employee found to have retaliated against another employee for reporting harassment or discrimination, or for participating in an investigation of discrimination or harassment, will be subject to disciplinary action, up to and including termination of employment.

Harassment by Non-Employees

All MFA employees are entitled to enjoy a workplace free from discrimination, harassment, and abuse of any sort, and have a right to perform their job duties without a requirement to endure discrimination, harassment, or abuse from any member of the public or any MFA contractor, sub-recipient, or partner. If, in the course of performing her/his job duties, an MFA employee encounters any member of the public, or any MFA contractor, sub-recipient, or partner who speaks to, writes to, or writes about the employee or any other person in a manner that the employee finds offensive or threatening, that employee may terminate all verbal and/or written communication with the person making or writing the offensive or threatening comments. The employee shall immediately notify – verbally and/or in writing - her/his direct supervisor, or if that person is unavailable, a Chief Officer or the Executive Director/CEO, of the incident and all relevant information regarding the incident. The employee will have no further obligation to communicate with and or have any other form of contact with the person who made the offensive or threatening comment.

For the purposes of this policy, an offensive comment shall include, but shall not necessarily be limited to, comments regarding membership in a protected classification (based on race, religion, ethnicity, national origin, gender, sexual orientation, gender identity, or perceived sexual orientation or gender identity); disability or perceived disability; physical appearance; or any other comment that a reasonable person similarly situated to the employee would find offensive. A threatening comment shall be interpreted as any comment indicating a suggestion or expression of intent to actively commit some form of physical, mental, or emotional harm to the employee, to another employee, to anyone related to any employee, or to any other person in a manner that would cause a reasonable person similarly situated to the employee to whom the comment was made to feel threatened.

ANTI-BULLYING POLICY

Objective

MFA's objective is to provide a work environment that promotes respect for our employees. MFA believes all employees should be able to work in an environment free of bullying and will not tolerate bullying under any circumstances.

Bullying Defined

Workplace bullying is verbal or nonverbal abusive behavior that is intended to or has the effect of intimidating, offending, degrading and/or humiliating an employee, whether it occurs in a one-on-one situation or in front of other employees, partners, or customers. Some examples of workplace bullying include:

- Verbal abuse, including shouting, using an inappropriate or mocking tone of voice, or using profanity or crude language.
- Exclusion of an employee by not notifying the employee of meetings, opportunities, results, and outcomes directly affecting his/her employment or ability to perform his/her job effectively.
- Belittling behavior, including public remarks or emails that may cause humiliation.
- Interfering with another employee's workplace, materials, and equipment.
- Excessive and/or intrusive surveillance or monitoring of an employee.
- Nitpicking and fault finding without justification.
- Deliberately withholding information vital for effective work performance.

Workplace counseling, providing constructive criticism, managing performance or any other action in accordance with MFA's policies and procedures does not constitute workplace bullying. Differences of opinion, interpersonal conflicts, and problems in working relations are part of working life and do not constitute bullying.

Reporting Bullying

Employee Responsibilities:

- All employees are equally responsible and accountable for maintaining a workplace that respects the dignity and rights of their fellow employees and the customers they serve.
- All employees of MFA shall act responsibly to establish a pleasant working environment free of bullying.
- Employees are encouraged to be supportive of one another and sensitive to remarks and actions that can be personally harmful and/or disruptive to others in the workplace.
- Employees who believe they are being bullied are encouraged to tell the offender directly that his/her behavior is contrary to MFA's anti-bullying policy. Some offenders may be genuinely oblivious to the effect of their words or conduct on other people and might be willing to change if they knew they were hurting or offending someone. However, MFA recognizes that power and status disparities between an alleged bully and a target or other circumstances may make such a confrontation difficult or impossible in some instances.
- Individuals who are aware of or who have experienced an incident of bullying are encouraged to report the matter promptly, to his/her supervisor or any member of Management to

minimize the risk of repeat incidents or retaliation by the offender.

- If an employee's supervisor or manager is the offender, the incident should be reported to Management. If Management is the subject of the report, the incident should be reported to the Human Resources Director.

Supervisor, Manager and Management Responsibilities:

- Supervisors, managers, and Management must serve as positive role models with respect to proper conduct in the workplace and should always be alert in identifying bullying behavior among employees, whether intentional or not, that may affect the work environment.
- Supervisors, managers, and Management should also encourage employees to discuss and ask questions to become better informed and to bring concerns and observations to the attention of their supervisors and managers for discussion and follow-up, as appropriate.
- In the event that a supervisor, manager, or Management becomes aware of a bullying complaint, or potential bullying problem, he/she should contact the Human Resources Director immediately for guidance in investigating and addressing the problem.
- Supervisors, managers, and Management should cooperate fully with efforts to investigate and resolve any reports of bullying.

Investigation of Reports

Investigation of all reports of bullying will be undertaken promptly in a discreet and confidential manner as possible. Cooperation and discretion by all employees contacted during an investigation is required.

If a complaint of bullying is substantiated, appropriate corrective action will be taken, depending upon the circumstances. Employees found to have engaged in bullying in violation of this policy will be subject to appropriate discipline, up to and including termination.

Retaliation

MFA will not tolerate any retaliation against any employee who makes a report of bullying or participates in any investigation of a bullying complaint. Any employee found to have retaliated against another employee for reporting or participating in an investigation of bullying will be subject to disciplinary action, up to and including termination.

PERSONNEL FILES AND PERSONAL INFORMATION

Personnel Files

MFA strives to keep accurate, up-to-date employment records on all employees to ensure compliance with state and federal regulations, to keep benefits information up to date, and to make certain that important mailings reach all employees. All information contained in personnel files is the property of MFA and is considered confidential.

Employees must inform MFA of any necessary updates to their personnel file such as change of address, change of telephone, and cell numbers, emergency contact information, marital status, number of dependents, military status or education.

The following types of information and documents may be kept in employee personnel files:

- Employment application
- Personal data, including name and address changes, emergency notification information, and home telephone and cell numbers
- Performance evaluations
- Disciplinary actions
- Salary history
- Payroll deduction authorization forms
- Personnel Action Forms
- Outside information requests
- Signed receipt for MFA's Employee Manual
- Position descriptions
- Training Certificates
- Interview notes, comments received from references.

All current employees will be permitted to review their personnel files at reasonable times with reasonable notice, in the presence of the Human Resources Director, Human Resources Assistant, or the employee's supervisor.

MFA will only verify dates of employment and job titles to outside agencies inquiring by telephone about current or former employees. No other information will be given out about an employee without written authorization from the employee, except what is otherwise required by law.

~~Personnel files may not be physically taken out of MFA offices by anyone. The Executive Director/CEO must determine exceptions.~~

Access to an employee's personnel file is limited to the Human Resources Department, Management, and the employee's immediate supervisor.

Any employee who reveals information from any personnel file in violation of this policy will be subject to disciplinary action, up to and including termination.

Personal Information

Unless requested or required by law enforcement or a valid subpoena, an employee's home telephone number, cell number, or address will not be given externally. It will only be provided internally for business reasons.

The following documents and information will be kept in confidential files, separate and apart from the employee's personnel file: Background Investigations, W-4 Forms, I-9 Forms (Employment Eligibility Verification) and copied identification documents; Worker's Compensation information; employee benefits enrollment forms for health, dental, life insurance, and MFA's retirement plans; any medical information, including disability claim forms; driving records; and exit interviews.

EMPLOYEE PERFORMANCE EVALUATIONS

Timing of Evaluations and Salary Adjustments

MFA will strive to conduct formal employee performance evaluations on an annual cycle corresponding to the fiscal year end in a format approved by Management. Salary adjustments may occur on an annual basis or more frequently, based on recommendations of the employee's supervisor and with the Executive Director/CEO's approval. Any salary adjustments made relative to annual evaluations will generally become effective with the first payroll cycle of December.

All employees (new, transferred, reclassified, promoted, or demoted) may receive quarterly coaching and annual performance evaluations. Annual evaluations will generally take place in the October/November timeframe.

Approval

The employee's direct supervisor is responsible for conducting employee performance evaluations. Managers are responsible for reviewing evaluations with supervisors and recommending salary adjustments. Upon completion of that process, the Chief Officer in the employee's management chain, or the Executive Director/CEO if appropriate, reviews all evaluations and recommended salary adjustments.

The Executive Director/CEO must approve all salary adjustments. The completed evaluation then becomes part of the employee's personnel file.

Job Descriptions

There are job descriptions for each position in MFA. All new positions must have job descriptions prior to being filled. Maintaining accurate job descriptions is the responsibility of the immediate supervisor. If a major change occurs within a position, the job description should be timely revised to reflect those changes. Job descriptions will be reviewed during the employee performance evaluation period.

Promotions

Movement to a new position with a higher salary range is considered to be a promotion. An employee who is promoted may receive a salary adjustment.

Demotions

Movement to a position in a lower salary range is considered to be a demotion. An employee who is demoted may receive a pay decrease at the time of the demotion. The amount of decrease is dependent upon the pay range of the new position and the current pay of the employee, among other factors.

RESIGNATIONS, TERMINATIONS, AND EMPLOYMENT REFERENCES

Resignations

Two (2) weeks' advance notice is requested from a non-exempt employee and thirty (30) days' advance notice, if possible, from an exempt employee wishing to resign from MFA. The resignation should be in writing, specify the last day of work and the reason for resigning, and must be signed and dated by the employee. Although advance notice of resignation is not required, an employee's failure to provide adequate advance notice may result in the employee being deemed ineligible for rehire with MFA.

Any MFA property in the employee's possession must be returned to MFA by the last day of employment.

VOLUNTARY SEPARATION INCENTIVE PROGRAM

Purpose

The purpose of the Voluntary Separation Incentive Program is to implement a separation incentive, as authorized by the Executive Director/CEO, to achieve the following organizational objectives:

1. Recruiting: Allow adequate time to advertise and recruit a replacement.
2. Alignment: Allow outgoing incumbent to align work required for the role, to include updated desktop procedures and prioritization of duties.
3. Training: Allow outgoing incumbent to train his or her replacement.
4. Shadow/Support: Ensure the replacement has grasped the fundamentals of the position and provide any additional support as needed.

Eligibility

To be eligible for a separation incentive payout, the employee must formally submit a minimum of three months written notice and hold a key position.

Key positions include:

- Chief Officers
- Directors
- Any employee deemed key at the time of departure and as approved by the Executive Director/CEO

Incentive Program Payout

To receive the incentive program payout, the employee must successfully complete each of the following three phases:

1. Alignment Phase
2. Training Phase
3. Shadow and Support Phase

At the end of the third phase, the outgoing incumbent may be offered the ability to stay on part time or in a consulting position. Such an offer will be made at the full discretion of the Executive Director/CEO.

Upon the successful completion of the three phases, the employee will receive a one-time lump sum bonus payment equivalent to 5% of employee's annual base salary. The Executive Director/CEO retains full discretion to determine whether the employee has successfully completed each of the three phases.

Should additional time be needed for recruiting and on-boarding, an additional incentive may be considered by the Executive Director/CEO.

Continuation of Benefits

Unless a resigning employee makes other arrangements permitted under certain conditions, all benefit coverage will cease on the last day of the month of the effective date of resignation. All resigning employees will be notified of how to continue health, dental and vision insurance coverage through MFA's COBRA provider.

Accrued Vacation and Sick Leave and Personal Day

Vacation leave accrued to the date of termination will be paid up to the maximum allowed as provided in MFA's Vacation Leave policy. Accrued sick leave and personal day are not compensable upon resignation of employment.

Retirement Funds

401(k) vested funds under \$5,000.00 will require a distribution or rollover from MFA's plan.

The 457(b) funds may be left in MFA's account; however, the employee will be responsible for the quarterly fees associated with managing the 457(b) account.

Exit Interviews

An exit interview will be scheduled during the employee's last week of employment or may be mailed to the former employee. An employee's refusal or failure to give an exit interview may result in the employee being deemed ineligible for rehire with MFA.

MFA Property

Any MFA property in an employee's possession must be returned to MFA by the effective termination date.

Final Pay

Those employees who voluntarily resign from their position will be paid on the next payroll.

Involuntary terminating employees will be paid within five (5) calendar days following the effective date of termination. The final paycheck can either be picked up by the employee or mailed to the employee's home address, as directed by the employee.

Employment References

Following resignation or termination of employment, MFA will verify only employment dates and positions held when contacted for an employment reference by a prospective employer of a former MFA employee, unless the prospective employer provides a consent and release of liability form signed by the former MFA employee.

All requests for employment references, reference letters and employment verifications must be directed to the Human Resources Director.



New Mexico Mortgage Finance Authority

Marketing & Communications Department

FY 2024 Quarter 1 Strategic Marketing Overview

Kristie Garcia

Director of Communications & Marketing

Press Releases

October 2023

October 23

New Mexico Mortgage Finance Authority Board of Directors approves \$3.3 million for La Serena Apartments from New Mexico Housing Trust Fund and other funding sources

October 25

New Mexico Mortgage Finance Authority's ***Homeownership Programs*** provide millions of dollars in funding to help New Mexicans purchase affordable homes

October 30

New Mexico Mortgage Finance Authority allocates nearly \$5 million to NM Energy\$mart Weatherization Program for Tribal Territories



New homeowners

Press Releases

November 2023

November 6

Housing project funded by New Mexico Mortgage Finance Authority's NM EnergySmart Weatherization Program featured at D.C. event

November 13

Weatherization project funded by New Mexico Mortgage Finance Authority's NM EnergySmart Program highlighted at event in Mescalero

November 27

New Mexico Mortgage Finance Authority November board meeting in Las Cruces showcases statewide outreach and ***impactful project tours***



Camp Hope

Press Releases

December 2023

December 5

New Mexico Mortgage Finance Authority allocates \$3.5 million from New Mexico Housing Trust Fund to weatherization program for solar projects

December 12

Support affordable housing and receive a state tax credit for half of the donation through the ***New Mexico State Tax Credit Program***

December 21

New Mexico Mortgage Finance Authority Board of Directors approves \$2.8 million for Encino Gardens from New Mexico Housing Trust Fund and HOME funding



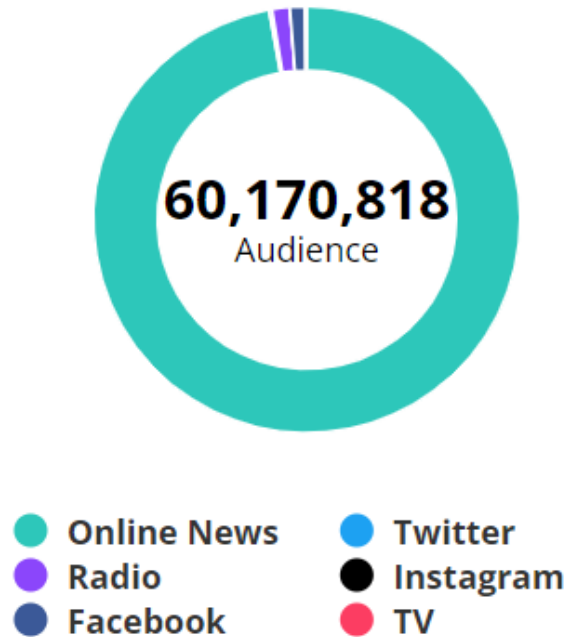
*Photo courtesy
Santa Fe Habitat for Humanity*

New homeowners and New Mexico State Tax Credit Program beneficiaries

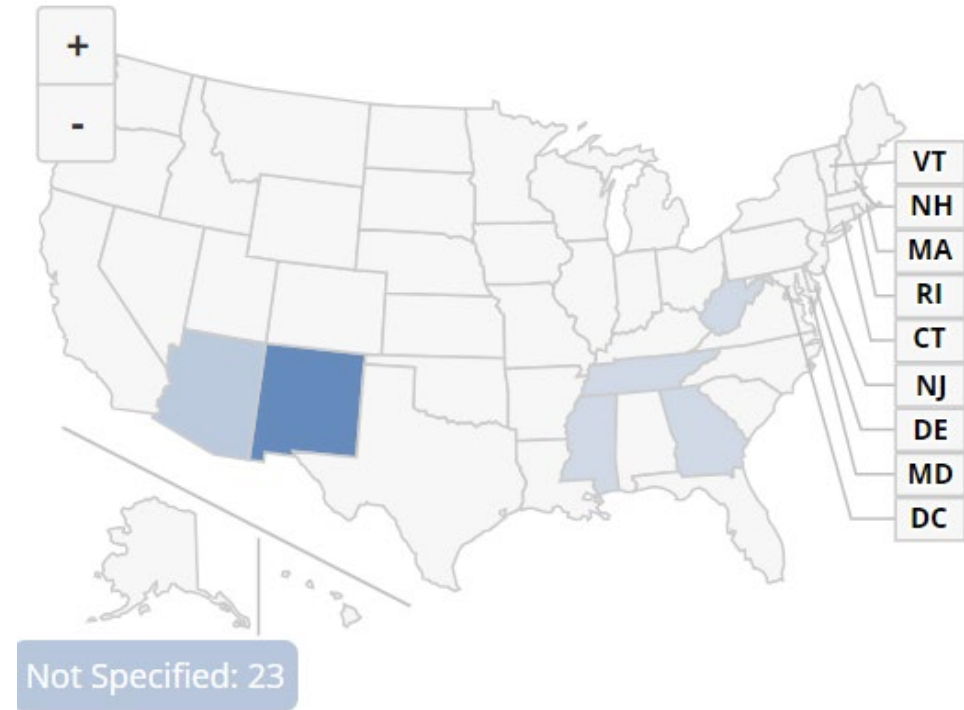
Media Mention Analytics

October 1 – December 31, 2023

Audience by Media Type



Mentions by State

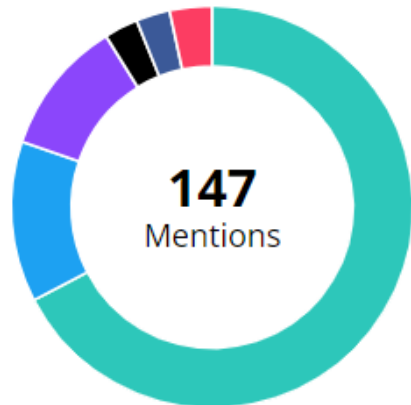




Media Mention Analytics

October 1 – December 31, 2023

Mentions by Media Type



- Online News
- Radio
- Facebook
- Twitter
- Instagram
- TV

Publicity by Media Type



- Online News
- Radio
- Instagram
- Facebook
- TV


MFA in the News

 Video ▾ News ▾ Weather ▾ Roads ▾ Sport ▾

NEW MEXICO NEWS

More New Mexicans may soon qualify for affordable housing support

by: [Natalie Wadas](#)
Posted: Nov 9, 2023 / 03:27 PM MST
Updated: Nov 10, 2023 / 09:55 AM MST



Deming Headlight
Publication Date: 12/01/2023 Page Number: 013

Title: State homeownership programs provide funding
Author:
Size : 35 Inches Sq Deming,NM Circulation: 2500
Keywords: New Mexico Mortgage Finance Authority

State homeownership programs provide funding

Local & State Officials Preview The Bluffs Senior Apartments

By KIRSTEN LASKEY
Los Alamos Daily Post
kirsten@ladailypost.com

The Bluffs Senior Apartments, 135 DP Road, is not your average apartment complex. It is specifically for senior residents; it is affordable housing, and it is designed to meet residents' long term needs so when tenants move in, they will have the option to stay and have their needs met.



ICAST
@ICASTusa

ICAST in the news! Housing project funded by New Mexico Mortgage Finance Authority's NM EnergySmart Weatherization Program featured at D.C. event. ow.ly/xg8750Q5bSu #Weatherization #NewMexico

Las Cruces commits \$6M to affordable housing complex

Jason Groves
Las Cruces Sun-News
USA TODAY NETWORK - NEW MEXICO

Las Cruces City Council took another step toward its goal of cutting into the 5,600 affordable housing rental unit shortfall by 2025. Council members approved a \$6 million pre-commitment to help fund Phase II of the Peachtree Canyon Apartments — a multifamily apartment complex that will ultimately consist of 244 rental units at 7081 North Jornada Road and Peachtree Hills Road — via resolution without discussion at its meeting on Monday. City staff needed Council's pre-commitment before the end of the month in order to preserve the project's eligibility for a **Low Income Housing Tax Credit** through the state's **Mortgage Finance Authority**.

MFA in the News

NEW MEXICO NEWS

New Mexico Mortgage Finance Authority puts \$3.5 million towards home solar projects

by: [Curtis Segarra](#)
Posted: Dec 5, 2023 / 11:19 AM MST
Updated: Dec 5, 2023 / 11:19 AM MST







KRQE News 13
November 10 · 🌐

#ICYMI: The approval came Thursday for the New Mexico Mortgage Finance Authority (MFA) for a major shift in how the agency administers New Mexico's Affordable Housing Act., details



KRQE.COM

More New Mexicans may soon qualify for affordable housing support

El Defensor Chieftain
Publication Date: 12/07/2023 Page Number: 007

Title: \$3.5 million allocated for weatherization program
Author:
Size : 17 Inches Sq Socorro,NM Circulation: 2500
Keywords: Housing Trust Fund ~ Mortgage Finance Authority ~ New Mexico Housing

\$3.5 million allocated for weatherization program

The New Mexico Mortgage Finance Authority (MFA) Board of Directors has approved \$3.5 million in funding from the New Mexico Housing Trust Fund to support solar systems for homes that are receiving NM EnergySmart Weatherization Program services.

requirements for some of its grants. MFA staff requested \$3.5 million in funding from the 2024 New Mexico Housing Trust Fund allocation to install solar-powered systems in households that are receiving weatherization services throughout the state. These funds will

primary goal is to assist low-income households in reducing their energy consumption. EnergySmart Weatherization Program through community-based nonprofit organizations offering statewide services. For more information about the NM EnergySmart

\$3.5M approved for solar installations

Households in the NM EnergySmart Program are eligible

BY MEGAN LEASON
JOURNAL STAFF WRITER

Low-income households receiving weatherization services in New Mexico could get solar-powered energy systems set up using recently approved state funds.

The New Mexico Mortgage Finance Authority board of directors in November approved \$3.5 million from the New Mexico Housing Trust Fund to install solar systems in homes that are part of the New Mexico EnergySmart Weatherization Program. Of the \$3.5 million, \$2.5 million is a cost match for



\$3.5 million will go toward installing solar systems in homes as part of the New Mexico EnergySmart Weatherization Program.

a U.S. Department of Energy solar installation grant and the remaining \$1 million is for multi-family projects, MFA spokesperson Kristie Garcia said. MFA director and CEO Isidoro Hernandez in a statement said he's confident the newly approved

\$3.5 million combined with funding from the Department of Energy will positively impact people.

"This is our first venture into solar, and we hope to impact many New Mexico households with this funding," Hernandez said.

The New Mexico EnergySmart Weatherization Program aims to help lower electricity bills for low-income homeowners and renters by implementing household energy efficiency measures and is part of the nationwide Weatherization Assistance Program.

More information about the NM EnergySmart Weatherization Program and how to join can be found at housingnm.org.



More than 1,800 purchase home with state assistance

New Mexico Mortgage Finance Authority in the 2022 fiscal year provided assistance to 1,844 New Mexico households through state home-ownership programs. The assistance amounted to \$19.7 million.

The MFA has several home-ownership programs for first-time and non-first-time home buyers.

Advertising

Print Ads

- New Mexico Association of Counties Newsletter
- New Mexico Bankers Digest
- The Real Estate Book
- Round the Roundhouse

Google Ads (two campaigns)

- Down Payment Assistance
- Affordable Housing

Radio/Streaming Ads: Down Payment Assistance

- iHeart Radio: October 23-November 19
- KDCE/KYBR Radio: November 9,10, 13-17 (included a live on-air 15-minute interview November 8)



Providing affordable mortgage loans and down payment assistance to homebuyers throughout New Mexico.

 New Mexico Mortgage Finance Authority
505.843.6880 800.444.6880 [housingnm.org](https://www.housingnm.org) 



Do You Need Help Purchasing a Home?

The New Mexico Mortgage Finance Authority offers **down payment AND closing cost assistance** to low-to-moderate homebuyers in New Mexico.

To find out if you're eligible, visit: www.housingnm.org and click on "Find a Lender"





Advertising

New Mexico State Tax Credit Program

- Los Alamos Daily Post
- Santa Fe New Mexican
- Albuquerque Journal
- New Mexico Association of Counties Newsletter
- New Mexico Society of CPAs

Contribute to Affordable Housing

Get up to 50% of donation value back in state tax credits



Learn More

Donate to New Mexico's State Tax Credit Program

State tax credits are available through New Mexico Mortgage Finance Authority to **individuals** and **businesses** that make donations to help build affordable housing in New Mexico. The tax credit is equal to 50% of the value of the donation.



To donate or to learn more about the New Mexico Affordable Housing Charitable Trust, visit:



Make A Meaningful Donation Before The End Of The Year

The New Mexico Mortgage Finance Authority's (MFA) State Tax Credit Program helps build affordable housing in the state.



Image Courtesy of Santa Fe Habitat for Humanity

Dennis and Iesha became homeowners through Santa Fe Habitat for Humanity thanks to affordable housing state tax credits.

"Being a homeowner, to me, means that this is mine. It's independence. Being at peace is the one thing we love the most."
- Iesha

"Our life has changed; it's gotten more stable. It's nice to know we have somewhere to stay."
- Dennis

WHY DONATE?

Help fellow New Mexicans become homeowners and receive a **tax credit equal to 50% of the value of the donation.**

WHO CAN DONATE?

Individuals and businesses.

WHAT TO DONATE?

Donations may include land, buildings, money or services.

WHERE TO DONATE?

- To the New Mexico Affordable Housing Charitable Trust, a 501(c)3 organization administered by MFA (only accepts cash, stocks, bonds)
- Directly to developers with MFA-approved projects, including Santa Fe Habitat for Humanity: santafehabitat.org/donate/



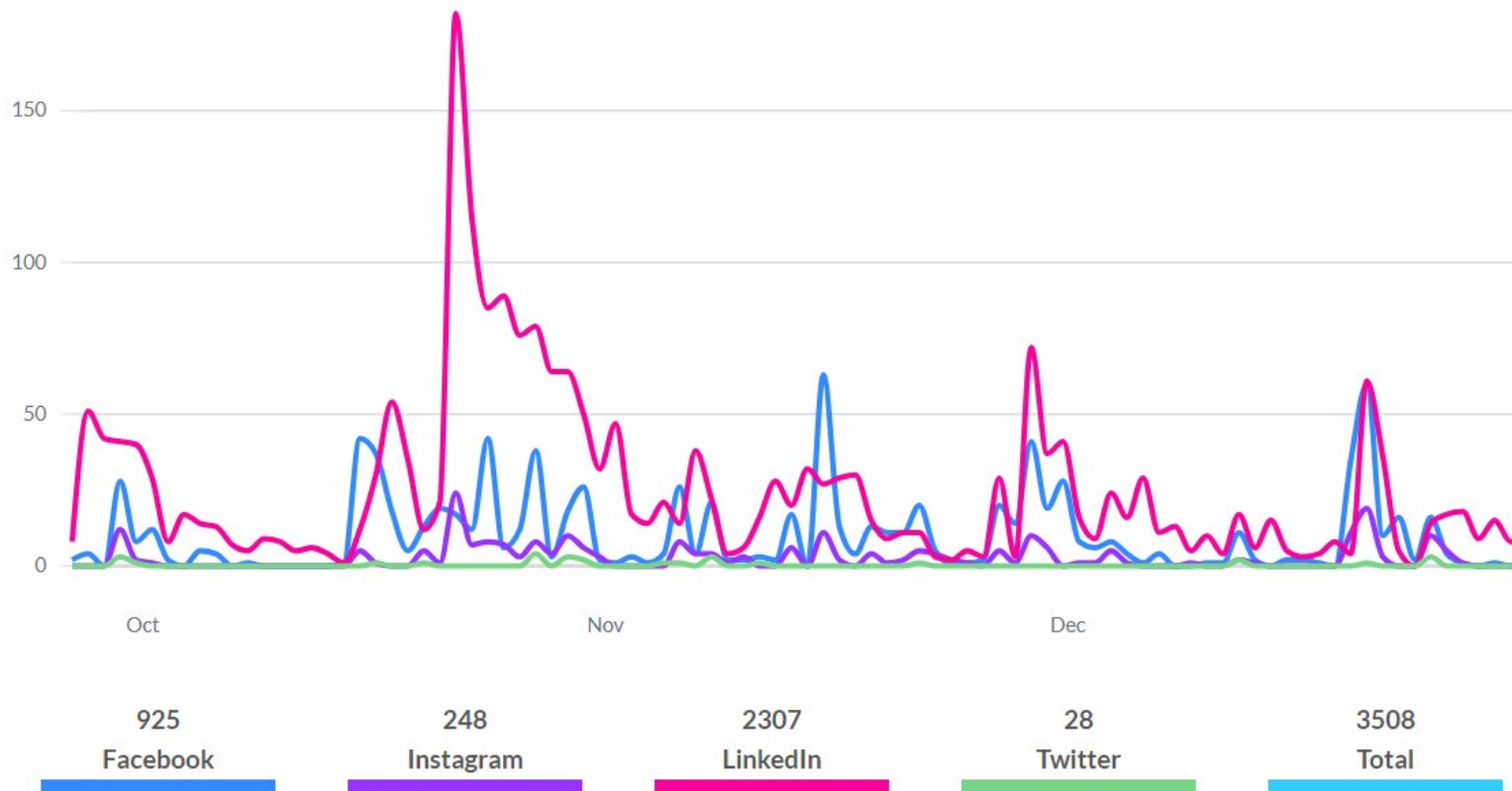
**Scan To
DONATE**



Social Media

October 1 – December 31, 2023

Cross-Channel Engagements [i](#)






Social Media

October 1 – December 31, 2023

MFA Housing New Mexico




MFA Housing New Mexico
Oct 19, 2023 12:00 PM

Ready to make homeownership your reality? Start your journey


Interested in buying a house but don't know where to start?

MFA can help!
Visit housingnm.org today!




Clicks	Reactions	Comments
25	43	1
Shares	Reach	Impressions
20	900	1027

MFA Housing New Mexico




MFA Housing New Mexico
Oct 25, 2023 12:00 PM

MFA is happy to celebrate Albuquerque's only housing



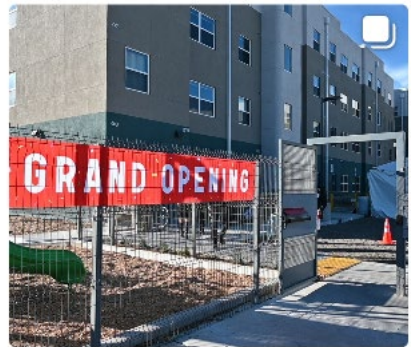
Likes	Comments	Shares	Clicks
63	3	3	427

MFA Housing New Mexico



MFA Housing New Mexico
Oct 25, 2023 12:00 PM

MFA is happy to celebrate Albuquerque's only housing

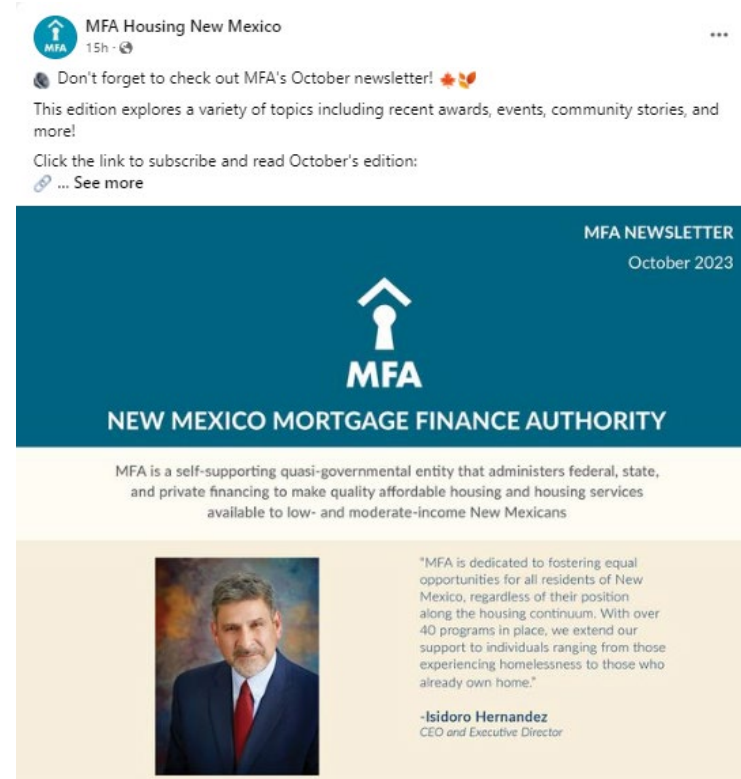


Likes	Comments	Saves
36	1	0
Engagement	Impressions	Reach
38	175	128

Recent Outreach Efforts – Quarterly Newsletter

October Newsletter

- Emailed to 3,555 people
- Available on MFA website
- Shared on social media



MFA Newsletter

Stay Informed with Our Quarterly Newsletter!

Don't miss out on the latest updates, exclusive content, and valuable insights delivered right to your inbox. Join our growing community of subscribers and be the first to know about industry trends, new programs, and other exciting MFA news. Sign up today to stay informed!

July 2023



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October 2023



[Read More >](#)

Recent Outreach Efforts - *Events*



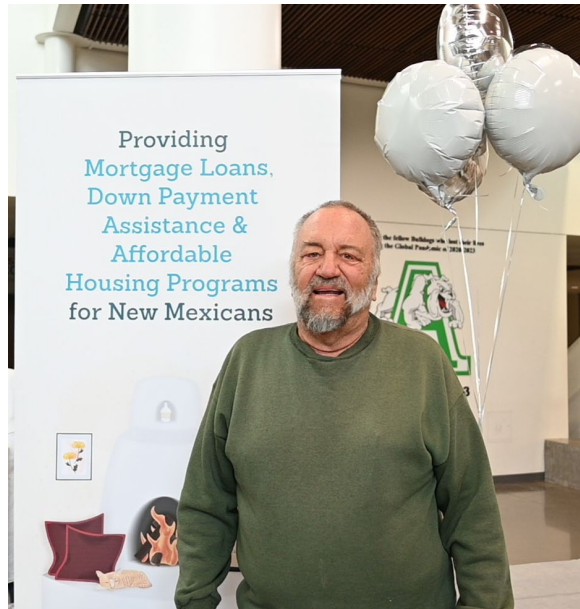
- New Mexico Housing Trust Fund Advisory Committee Meeting (October 12)
- Housing Investment Council Meetings (October 12 and 20)
- National Council of State Housing Agencies Annual Conference (October 14-17)
- PAH! Hiland Plaza Ribbon-Cutting Ceremony (October 18)
- New Mexico Infrastructure Finance Conference (October 18-19)
- Regional Economic Development Summit (October 18)
- Affordable Housing Investors Council State HFA Panel (October 18)
- PNM Albuquerque Community Assistance Fair (October 21)
- Eastern Plains Council of Governments Region Housing Workshops (October 24-25)

Recent Outreach Efforts - *Events*



- National Weatherization Day (October 25)
- NM Coalition to End Homelessness “Housing for All Conference” (October 26-27)
- New Mexico Weatherization Day (October 30)
- Presentation to New Mexico Finance Authority (November 2)
- Espanola Pathways Shelter visit (November 8)
- The Bluffs Senior Apartments Pre-Opening Tour (November 17)
- Hosted Certified Commercial Investment Member Real Estate Gathering (December 6)
- New Mexico Mortgage Lenders Association First Responders Blanket & Toy Drive (December 12)
- Espanola Housing Needs/McCurdy Ministries Site Visit (December 18)

Recent Outreach Efforts - *Events*





Looking Ahead - MFA Programs

MFA will promote various **programs**, including:

- Down Payment Assistance
- Home Rehabilitation
- Weatherization

MFA will highlight **accomplishments** and **production units**, including an article in the January issue of New Mexico Bankers Digest.

MFA will also promote the **New Mexico State Tax Credit Program** in 2024 to encourage donations.



Our vision is that all New Mexicans will have quality affordable housing opportunities.

MFA offers **up to \$35,000** in **down payment and closing cost assistance** for workforce housing in New Mexico, depending on the borrower's qualifications.

MFA's overall impact in fiscal year 2023:

Initiatives	Funding Provided	Outcome
Create More Housing	\$10,341,000	285 New Homes Constructed
Preserve and Improve Existing Affordable Housing and Catalyze Redevelopment	\$116,219,000	1,577 Homes Weatherized, Rehabilitated, Preserved, or Redeveloped
Build Homeownership and Wealth	\$388,294,000	3,352 Loans for First Mortgage and Down Payment Assistance to 1,845 families
	\$24,145,000	2,925 Households Received Mortgage Assistance
Create Stable Housing Environments	\$39,796,000	5,843 Households Received Housing Vouchers
	\$7,002,000	6,488 Individuals Received Housing Stability and Homeless Shelter Services
TOTAL FUNDING ADMINISTERED	\$585,797,000	18,963 Households Served 3,707 Homes Produced, Financed or Preserved

*Data updated 12/12/23



Visit housingnm.org now to check your eligibility and take the first step toward owning your own home!

MFA:
We are housing New Mexico

Thank you!

Please contact me with any questions about
MFA Marketing & Communications.

Kristie Garcia

Director of Communications & Marketing

kgarcia@housingnm.org

505-767-2268



MEMO

TO: MFA Board of Directors
FROM: Arundhati Bose
DATE: January 17th, 2024
SUBJECT: Single Family Mortgage Bonds 2023 Series D – Pricing Summary

2023 Series D

The 2023 Series D transaction is a new money bond issue which priced on October 19th, 2023, and closed on November 21st, 2023. Below is a summary of the bond sale:

Structure: The bond issue is a \$125.0 million tax-exempt traditional bond issue which provides for non-AMT serial bonds, term bonds and a premium planned amortization class ("PAC") bond.

Marketing: To enhance the marketing of bonds to retail investors, our selling group members participated in the underwriting syndicate, namely, Baird, D.A. Davidson & Co., Fidelity Capital Markets, Drexel Hamilton, Inc., Hilltop Securities, and UBS Financial Services Inc. The underwriting syndicate submitted \$16.690 million in orders and was allotted \$6.595 million of bonds. In addition, a total of \$73.6 million in retail orders were received, of which \$23.2 million was from New Mexico retail investors. Compared to the 2023 Series C issuance, which priced in July 2023, retail orders increased 41.0% and New Mexico retail orders increased a substantial 510.5%.

Total orders for the bond issue were \$288.6 million for both retail and institutional investors, which is a significant decrease of 46.4% in total orders compared to the 2023 Series C issuance. This was mainly due to a high level of uncertainty surrounding rate increases by the Fed, which lowered investor appetite for these securities at the time of pricing; since then, the economic outlook has stabilized substantially.

Use of Bond Proceeds: The \$125.0 million is being used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues which helped maintain competitive mortgage rates. The weighted average mortgage rates are as follows:

<u>Program</u>	<u>Government</u>	<u>FNMA</u>	<u>FHLMC</u>
FIRST HOME	6.162%	6.304%	6.601%

Spread: The spread on the transaction is 1.121%. Spread is the difference between the mortgage yield and the bond yield. The maximum spread permitted by federal tax law is

1.125%. The net present value benefit of the transaction is \$4.0 million or approximately 3.2% of the bonds issued.

Investment of Bond Proceeds: Funds from the bond issue are invested in Federal Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee.

The attached Exhibit 1 contains a table summarizing more detailed information about the 2023 Series D bond issue as well as bond issue characteristics from other recent single-family issuances for comparative purposes.

The attached Exhibit 2 is a comprehensive in-depth “Post-Sale Analysis” for 2023 Series D, prepared by MFA’s Financial Advisor, CSG Advisors.

The attached Exhibit 3 is a summary from Moody’s Investors Service, which detailing how zero participations, or zeroes, function when they are created in a bond issue.

EXHIBIT 1

New Mexico Mortgage Finance Authority
Summary of Recent Bond Issue Characteristics

	For Info Only	For Info Only	For Info Only	For Info Only	
	2022E	2023A	2023B	2023C	2023D
Type of Structure 1 Tax Exempt Bonds Taxable Bonds Tax-Exempt Refunding Bonds Taxable Refunding Bonds Total Amount of Bonds Issued	New Money Tax-Exempt	New Money Tax-Exempt	New Money Tax-Exempt	New Money Tax-Exempt	New Money Tax-Exempt
	Traditional	Traditional	Traditional	Traditional	Traditional
	\$74,990,000	\$60,000,000	\$80,000,000	\$100,000,000	\$125,000,000
	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
	\$74,990,000	\$60,000,000	\$80,000,000	\$100,000,000	\$125,000,000
2 Bond Issue(s) Refunded	n/a	n/a	n/a	n/a	n/a
3 MFA Subsidy*/Benefit-(New Available)/ Present Value Economic Benefit	\$2.2 million/\$0.28 million	\$2.1 million/\$3.2 million	\$2.9 million/\$3.3 million	\$3.5 million/\$4.8 million	\$4.0 million/\$1.1 million
4 Original Bond Ratings: Standard & Poor's Moody's	None Aaa	None Aaa	None Aaa	None Aaa	None Aaa
5 Pricing Date(s)	11/8/2022	1/25/2023	4/20/2023	7/13/2023	10/19/2023
6 Bond Closing Date	12/15/2022	2/23/2023	5/25/2023	8/17/2023	11/21/2023
7 Serial Bond Maturities AMT Non-AMT Taxable	None 9/1/23-9/1/34 None	None 3/1/24-9/1/35 None	None 3/1/24-9/1/33 None	None 9/1/24-9/1/35 None	None 3/1/25-9/1/35 None
8 Term Bond Maturities	9/1/37,9/1/42 9/1/47,9/1/52	9/1/31,9/1/38 9/1/43,9/1/48 9/1/53	9/1/35,9/1/38 9/1/43,9/1/48 9/1/53	9/1/38,9/1/43 9/1/48,9/1/53	9/1/38,9/1/43 9/1/48,9/1/53
9 Premium PAC Maturity	9/1/53	3/1/54	3/1/54	3/1/54	9/1/54
10 Split Between FIRST HOME Government and Conventional Loans Government Conventional	80% 20%	80% 20%	80% 20%	80% 20%	80% 20%
11 Weighted Average Loan Rates+ FIRST HOME - Government FIRST HOME - FNMA <80% FIRST HOME - FNMA >80% FIRST HOME - FHLMC <80% FIRST HOME - FHLMC >80%	5.761% 6.009% 6.487% n/a n/a	5.445% 5.770% 5.770% n/a n/a	5.610% 5.965% 5.965% n/a n/a	5.771% 6.135% 6.135% n/a n/a	6.162% 6.304% 6.304% 6.601% 6.601%
12 10-Year Treasury Rate at Pricing	4.14%	3.46%	3.54%	3.76%	4.98%
13 GIC Rates** Acquisition Fund Rate Float Fund Rate	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a
14 MFA Contribution at Closing Cost of Issuance (COI) COI as a % of Bonds Issued Negative Arbitrage Deposit	\$715,000 0.95% \$750,000	\$600,000 1.00% \$600,000	\$750,000 0.94% \$850,000	\$880,000 0.88% \$1,300,000	\$1,055,000 0.84% \$1,600,000
15 Yield Spread	n/a	n/a	n/a	n/a	n/a
16 Administrative Fee (to MFA)	0.180%	0.180%	0.180%	0.180%	0.180%
17 Bond Allocation System Followed***	Yes	Yes	Yes	Yes	Yes

*Subsidy was generated by a prior bond issue.

+Weighted average rate of loans in the pipeline.

**The Guaranteed Investment Contract is competitively bid.

***The bond allocation system that is followed is common in the investment banking industry and is as follows:

The lead manager keeps track of when the orders are received which is referred to as an order flow tracking system.

The bond allocation system also dictates that Bonds are awarded to managers prior to any selling group members

even though group members may have entered orders first. In-state retail orders receive first priority,

followed by orders for the benefit of the group which are allocated by management fee percentage;

next are net designated orders placed through the senior manager where the buyer designates the sales credit

to specific managers, and finally, member orders receive the lowest priority.

EXHIBIT 2

\$125,000,000
New Mexico Mortgage Finance Authority
Single Family Mortgage Program Class I Bonds
2023 Series D (Tax-Exempt) (Non-AMT)

POST-SALE ANALYSIS

KEY RESULTS FOR MFA

Purpose. This transaction is a traditional single-family bond issue with semi-annual interest and principal, though bonds can be redeemed quarterly from excess revenues. Its purpose, like similar prior new money transactions is to:

1. Finance new loan production at attractive interest rates for homebuyers,
2. Provide beneficial economics to MFA with as close to the maximum yield spread permitted by the IRS as possible,
3. Strategically use MFA's zero participation loans as needed, and
4. Keep negative arbitrage to a minimum.

Additionally, this transaction reallocates zero participation loans from prior series (2023 Series C) well within the required time of 18 months for which to reallocate loans.

Approach and Strategy. Over the past five years, MFA has used traditional bond structures to finance new production that did not need a refunding component in order to generate full spread economics. Since the beginning of 2018, MFA has issued multiple all new-money transactions that did not include a refunding component, providing MFA with a balance sheet solution for new production without a form of subsidy such as refundings. Zero participation loans will be used in this transaction to bring it to full spread.

From a strategic point of view, MFA has been:

1. Building a loan pipeline by reserving loans, while reviewing expected rates on a traditional bond structure,
2. Issuing bonds to begin financing mortgage-backed securities at bond closing through a 3 to 4 month origination period, and
3. Protecting itself against rates rising before bonds are sold by using zero participation interest subsidies it has earned from past transactions.

Primary Objectives. MFA therefore has three primary objectives:

1. Finance existing production at the lowest yield possible,
2. While keeping mortgage loan rates low, strategically use MFA's approximately \$26.6 million of zero participations (prior to issuing 2023D) to achieve full spread and preserve more zero participations for future production, and
3. Raise bond premium in order to generate proceeds to help fund the purchase of the MBS from the servicer at 101%, to fund cash flow lag, and to fund all of the costs of issuance of the transaction.

Structure. The 2023D bonds:

- Included bond proceeds sufficient to finance \$125.0 million of new pipeline production and provide sufficient proceeds to use and store zero participations,
- Were structured with serials bonds, term bonds and Planned Amortization Class (PAC) bonds,
- Sold the PAC bonds with a total premium of \$3.3 million which provides additional funds to purchase

\$125.0 million of MBS and fund most of the costs of issuance.

- Were priced 5 weeks prior to closing, enabling MFA to lock in its borrowing cost sooner as well as finance more of its pipeline production prior to closing, thus reducing both interest rate risk and negative arbitrage,
- Allowed for either GNMA, Fannie Mae (FNMA), or Freddie Mac (FHLMC) MBS depending on MFA's loan pipeline,
- Provided MFA with an optional call in 9.0 years at par (or slight premium with regard to the PAC bond) if it proves profitable to redeem the bonds in the future,
- Deposited \$1.6 million of Authority funds in a negative arbitrage account to provide necessary funds to cover non-origination stress test in rating agency cash flow runs. We expect most or all of such funds to be transferred back to MFA within 12 to 18 months, as it isn't expected to be needed once the MBS are purchased several months after closing as anticipated.

Results. The bond structure consisted of three major components: non-AMT serial bonds, term bonds and a premium PAC bond.

1. **Yields.** The bond yield (true interest cost) was 5.15% assuming 100% FHA prepayments (compared to 4.37% for the 2023C bonds sold three months prior in July).
2. **Use of Zero Participations.** In order to achieve full spread, 2023D is forecasted to consume \$8.0 million in zeros on a nominal basis resulting in \$18.6 million in zeros for future bond issues (assuming participation with a future issue in 3 months).
3. **Net Economic Benefits.** The transaction's projected net present value was \$4.0 million at 150% PSA prepayment speed, or approximately 3.2% of the bonds issued. Including the impact of zeros consumed, the net present value was \$1.1 million.

Bond Results. Following are key highlights:

1. **Timing.** The bonds were priced on the morning of Thursday, October 19th with a combined single two and a half hour order period for both retail and institutional buyers.

General municipal bond issuance was robust during the week of 2023D's pricing. In addition to MFA's sale, two other single family tax-exempt bond issues priced during the week of October 16th (MassHousing and Nebraska IFA).

On the pricing date of October 19th, the 10-year Treasury was higher by 0.07% from the prior day to a 4.98% yield. The municipal market as measured by MMD rates was also higher by 0.05% to 0.08% across the yield curve compared to the prior day. See "Market Details" below for a full description of the market leading up to the pricing date.

Retail Interest. On the morning of Thursday, October 19th, a 2.5 hour order period was established with first priority to orders from New Mexico retail investors and second priority to national retail investors. This resulted in a total of \$73.6 million of retail orders (\$23.2 million of New Mexico retail). \$47.2 million of the 2023D retail orders were for term bonds, with \$26.4 million for the serials.

2. **Institutional Interest.** In all, institutions put in orders totaling \$215 million (compared to \$487 million for 2023C). Due to strong oversubscription on 5 of the 22 serial bonds, the yield on those 5 serial bonds was decreased by 0.05%. The term bonds in 2038 and 2048 were also in high demand with subscription levels of 5.2x and 2.3x. Due to those compelling subscription levels, those term bonds were lowered by 0.05%. Investor interest for the \$50 million in PAC bonds was also sound, with subscription of 2.8x. The yield on the PAC was lowered by 0.01%
3. **Selling Group.** To enhance the order flow particularly with retail investors, six selling group members were included in the underwriting syndicate for 2023D. Selling group members included Baird, D.A. Davidson, Drexel Hamilton, Fidelity Capital Markets, Hilltop Securities and UBS. See below for orders and allotments from the selling group, of which UBS brought the most orders to the pricing:

TABLE 1: RETAIL ORDERS BY SELLING GROUP MEMBER (THOUSANDS):

Selling Group Member	Orders	Allotments
Fidelity Capital Markets	\$ 5,395	\$ 3,460
Drexel Hamilton	-	-
UBS	9,295	2,135
D.A. Davidson	1,000	1,000
Baird	-	-
Hilltop	1,000	-
TOTAL	\$ 16,690	\$ 6,595

**Excludes unfilled stock orders.*

The selling group was useful to the issuance in terms of generating additional retail interest. UBS led the selling group in orders despite announcing its departure from the municipal banking sector.

4. **Comparable Transactions.** The 2023D bonds priced similarly to the \$75 million Nebraska (- / AAA) issue that priced the same day and Massachusetts (Aa1/AA+) which priced one day earlier. Compared to Nebraska, most of MFA's serial bonds priced at the same spread to MMD or slightly higher with the exception of the 2035 serials which priced lower. As for term bonds, MFA's 2038, 2043, and 2053 priced at the same spreads to Nebraska, while the 2048 term was 0.04% lower in spread. Nebraska did not sell a PAC bond. Compared to Massachusetts, all of MFA's term bonds were 0.01% to 0.06% lower in spread.

MARKET DETAILS

Key Dates: Retail and Institutional Order Period: Thursday, October 19, 2023
 Closing Date: Thursday, November 21, 2023

Economic Calendar. 2023 was characterized by markets balancing the Federal Reserve’s continued rate hiking cycle and battle reduce inflation with the resilience of the economy in avoiding recession.

Data releases throughout 2023 have largely reflected slowing inflation, however, recent inflation figures in the 3-4% range are still above the Federal Reserve’s target of 2%. As a result, on July 26th, the Fed both hiked rates by an additional 25 bps, bringing short-term rates to their highest level in 22 years, and indicated that it would at least temporarily pause future rate hikes to determine the impact on inflation. Although rates were unchanged at the Fed’s September meeting, the Fed reiterated its message that rates will remain “higher for longer,” which resulted in strong sell-offs in the long-end of the yield curve.

The October 2023 CPI report showed the index had risen 3.2% from a year earlier, slowing slightly from a 3.7% increase in August and September. Though still elevated above the Federal Reserve’s target of 2% inflation, this nonetheless represented a sizable decrease since the beginning of the year.

Treasuries. As of market close on the day of pricing, the 10-year US Treasury yield was 4.98%, up over 1% from the beginning of 2023 and at its highest point in over 10 years. The yield curve remained inverted, with the 2-year Treasury 16 bps higher than the 10-year. The 2-year Treasury rate has exceeded the 10-year rate for longer than a year. Such inversions have in the past been precursors to, and reflected investors’ expectations of, future recession.

Municipals. After a record level of \$121 billion of municipal fund outflows during 2022, the picture has stabilized somewhat this year. While some outflows have continued from muni bond funds, muni ETFs have received inflows, and there has been a more favorable tone to investor demand in the municipal market (due to lower supplies of new bond issues as well as investors looking to reinvest recent bond redemptions). This led to an especially favorable market for municipal issuers early in the year and throughout much of the summer, though in recent months treasuries have risen less quickly than municipal bond rates. Though rate volatility remains high in 2023 as it was in 2022, investor demand has allowed for continued orderly municipal bond transactions. In general, the municipal bond market has been favorable for bond issuers as evidenced by low MMD to Treasury ratios.

2023D’s 10-year MMD to Treasury ratio of 72% increased from 2023C’s 69% ratio though it still provided an attractive and low borrowing rate compared to the taxable alternative. The 30-year MMD to Treasury ratio decreased from 90% to 89%.

TABLE 2: COMPARISON OF RATES IN RECENT TRANSACTIONS

Issue	Date	10 Year MMD	10 Year Treasury	MMD to Treasury Ratio	30 Year MMD	30 Year Treasury	MMD to Treasury Ratio
2021 A	4/13/21	1.01%	1.64%	62%	1.62%	2.32%	70%
2021 C	7/8/21	0.81%	1.30%	62%	1.33%	1.93%	69%
2021 D	10/13/21	1.19%	1.54%	77%	1.69%	2.03%	83%
2022 A	1/13/22	1.18%	1.70%	69%	1.64%	2.04%	80%
2022 C	4/12/22	2.42%	2.72%	89%	2.77%	2.82%	98%
2022 D	7/12/22	2.44%	2.96%	82%	2.98%	3.13%	95%
2022 E	11/8/22	3.30%	4.14%	80%	4.06%	4.28%	95%
2023 A	1/25/23	2.19%	3.46%	63%	3.18%	3.62%	88%
2023 B	4/20/23	2.36%	3.54%	67%	3.40%	3.74%	91%
2023 C	7/13/23	2.59%	3.76%	69%	3.51%	3.89%	90%
2023 D	10/19/23	3.59%	4.98%	72%	4.53%	5.11%	89%
<i>Change from 2023C to 2023D</i>		+ 100 bps	+122 bps	+ 3%	+102 bps	+122 bps	- 1%

UNDERWRITING

Underwriter. RBC Capital Markets served as senior managing underwriter and Raymond James as co-manager. As described above, there was also a six-firm selling group.

Underwriting Fees. The underwriter discount of \$6.512 per \$1,000 bonds is reasonable compared to other similarly sized issues in the market.

Performance. RBC Capital Markets as book-running senior manager and Raymond James as co-manager worked well together and achieved sufficient excellent order flow as described above. Strong order flow was evidenced by \$288 million in total orders (excluding stock member orders), including oversubscription resulting in lowering the rate on two of the term bonds by 5 bps and the PAC bonds by 1 bps.

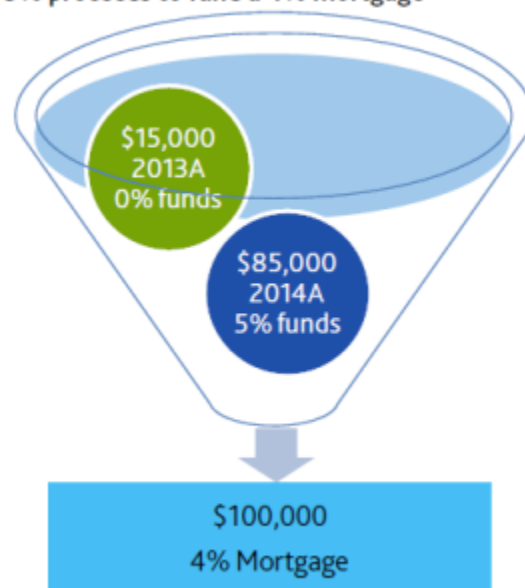
The six-firm selling group enhanced the sale of the bonds. We recommend that MFA use a selling group on the next traditional bond issuance as well.

Exhibit 3

0% participation funds: HFAs may elect to save the subsidy generated by the excess yield as “0% participation funds” (called zeroes) so they can be used to “blend” down higher mortgage rates in the future. For example, an HFA can earn full-spread on bond-financed mortgages if it can borrow at 4% and lend at 5%, but the prevailing mortgage rate is 4%. In this case, bond financing would not have been practical to the HFA in the example because its full-spread 5% mortgage rate is considerably higher than its competition’s 4% rate. However, if the HFA in the example has zeroes generated by a prior bond issue with excess spreads (2013A in the exhibit below) that can be used to subsidize the new bond-financed mortgages, the bond financing would be practical. That is because after the new bond sale, the HFA will have two pots of bond proceeds available for mortgage financing – one with a 5% interest rate (non-zeroes) from 2014A and the other with a 0% interest rate (zeroes) from 2013A. Therefore, the HFA in this example can blend the non-zeroes and zeroes pools to offer a 4% mortgage (see Exhibit 2).

EXHIBIT 2

Blending 0% proceeds and 5% proceeds to fund a 4% mortgage

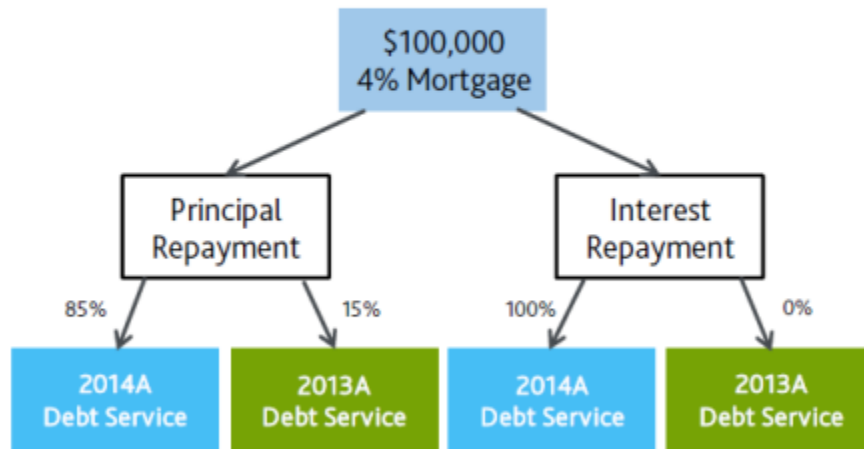


Source: Moody's Investors Service

To achieve full-spread as prescribed by the federal tax law, the HFA in this example will fund (or “participate”) 85% of this mortgage with moneys from the non-zero pool and the remaining 15% from the zeroes pool. Going forward, 100% of the interest repayment from the mortgage will be used to pay debt service on 2014A bonds (whose proceeds funded the non-zeroes pool), with the principal repayment and prepayment split 85/15 between the 2014A and 2013A bonds (see Exhibit 3).

EXHIBIT 3

100% of Interest repayment and 85% of principal repayment from the mortgage are used to pay 2014A debt service



Source: Moody's Investors Service

**Staff Actions Requiring Notice to Board
During the Period of December 2023**

Department and Program	Project	Action Taken	Comments / Date Approved
Community Development Department - HOME American Rescue Supportive Services	HOME American Rescue Plan Supportive Services drawdown	Approval to grant Alianza of New Mexico an additional \$400,000.00 in HOME ARP Supportive Services funds.	Approved by Policy Committee on December 7, 2023
Community Development Department - NM EnergySmart (Weatherization)	PNM Contract/Amendment	Approval to amend the original agreement to extend the contract term from 1/1/2016 – 11/27/2023 to 12/31/2023 – 12/31/2026 and increase the annual funding from \$6000,000 to \$882,250.	Approved by Donna Maestas-De Vries on December 6, 2023
Servicing Department	December 2023 Loan Write off	One Next Down DPA loan, in the amount of \$5,596 was written off due to a First Mortgage Foreclosure.	Approved by Teresa Lloyd, Director of Servicing and Joseph McIntyre, Controller on December 29, 2023
Servicing Department	December 2023 NPL Write off	Ten First Down 30 DPA nonperforming loans in the total amount of \$66,965.05. And one Mortgage Booster DPA nonperforming loan in the amount of \$6,459.03. Total of eleven nonperforming loans written off in the amount of \$73,415.08.	Approved by Teresa Lloyd, Director of Servicing and Joseph McIntyre, Controller on December 29, 2023
Servicing Department	Monthly Quality Control Loan Servicing October 2023 Report	Moss Adams evaluates and tests internal controls related to mortgage loan servicing each month and quarter. This testing is designed to assist MFA in evaluating its Quality Control Oversight and Compliance Plan in accordance with the US Department of Housing and Urban Development (HUD) and the Consumer Financial Protection Bureau (CFPB). Moss Adams did not identify any finding during the October 2023 monthly testing procedures.	Approved by PC on December 19, 2023

Department and Program	Project	Action Taken	Comments / Date Approved
Servicing Department	Monthly Quality Control Loan Servicing November 2023 Report	Moss Adams evaluates and tests internal controls related to mortgage loan servicing each month and quarter. This testing is designed to assist MFA in evaluating its Quality Control Oversight and Compliance Plan in accordance with the US Department of Housing and Urban Development (HUD) and the Consumer Financial Protection Bureau (CFPB). Moss Adams did not identify any finding during the November 2023 monthly testing procedures.	Approved by PC on December 19, 2023

As of: 1/10/2024

New Mexico Housing Trust Fund Dashboard								
Certified Uses	Certified Use Allocation	Certified Use Award Totals	Certified Use Unawarded Balance	Activity	Activity Allocation	Activity Award Totals	Activity Unawarded Balance	Activity Expenditures
Down payment assistance (DPA)	\$ 8,500,000.00	\$ 8,500,000.00	\$ -	HomeForward DPA	\$ 3,000,000.00	\$ 3,000,000.00	\$ -	\$ -
				FirstDown Plus	\$ 5,500,000.00	\$ 5,500,000.00	\$ -	\$ -
First mortgage; affordable homeownership loan purchase	\$ 3,400,000.00	\$ -	\$ 3,400,000.00	40 YLM	\$ 3,400,000.00	\$ -	\$ 3,400,000.00	\$ -
Single family emergency repairs, accessibility, energy efficiency improvements and rehabilitation	\$ 1,500,000.00	\$ 782,262.93	\$ 717,737.07	Housing Improvement Program (HIP)	\$ 1,000,000.00	\$ 282,262.93	\$ 717,737.07	\$ 87,107.67
				Weatherization	\$ 500,000.00	\$ 500,000.00	\$ -	\$ 22,480.31
Single family acquisition and rehabilitation	\$ 2,000,000.00	\$ -	\$ 2,000,000.00	Restoring Our Communities	\$ 2,000,000.00	\$ -	\$ 2,000,000.00	\$ -
Rental and single-family development	\$ 22,130,000.00	\$ 8,500,000.00	\$ 13,630,000.00	Gap Financing Loans	\$ 8,630,000.00	\$ 7,500,000.00	\$ 1,130,000.00	\$ 500,000.00
				Preservation Loans	\$ 2,500,000.00	\$ -	\$ 2,500,000.00	\$ -
				Primero Loans	\$ 3,000,000.00	\$ -	\$ 3,000,000.00	\$ -
				Single Family Development Pilot Program	\$ 3,000,000.00	\$ -	\$ 3,000,000.00	\$ -
				Housing Innovation	\$ 5,000,000.00	\$ 1,000,000.00	\$ 4,000,000.00	\$ -
Total State Fiscal Year 2024 Funds	\$ 37,530,000.00	\$ 17,782,262.93	\$ 19,747,737.07		\$ 37,530,000.00	\$ 17,782,262.93	\$ 19,747,737.07	\$ 609,587.98

Summary

\$ 37,530,000.00 is the total State Fiscal Year (SFY) 2024 NMHTF Severance Tax Bond earmark allocation.

47% of the total SFY24 allocation has been awarded.

53% has yet to be awarded.

2% of awarded funds has been expended.

No NMHTF awards are being recommended during the January 17, 2023 Board of Directors meeting.

Down Payment Assistance

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Down payment assistance	\$ 8,500,000	HomeForward DPA	\$ 3,000,000.00	HomeForward DPA Program Guidelines	\$ 3,000,000.00	1/18/2023	HomeForward DPA	9/14/23	PC	\$ 3,000,000.00	\$ 3,000,000.00	\$ 5,500,000.00	\$ -	\$ -
		FirstDown Plus	\$ 5,500,000.00	FirstDown Plus Program Guidelines	\$ 5,500,000.00	11/15/2023	FirstDown Plus	11/15/23	PC	\$ 5,500,000.00	\$ 8,500,000.00	\$ -	\$ -	
									Total	\$ 8,500,000.00				

Housing Improvement Program

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Aawrd Expenditures	Total Expenditures
Single family emergency repairs, accessibility, energy efficiency improvements and rehabilitation	\$ 1,500,000.00	Housing Improvement Program (HIP)	\$ 1,000,000.00	Single Family Repair and Rehab NOFA	\$ 1,000,000.00	5/17/2023	SWRHCDC	8/15/2023	PC	\$ 134,655.19	\$ 134,655.19	\$ 865,344.81	\$ -	\$ 87,107.67
							SWRHCDC	8/29/2023	PC	\$ 110,000.00	\$ 244,655.19	\$ 755,344.81	\$ 49,499.93	
							San Felipe Pueblo	9/19/2023	PC	\$ 37,607.74	\$ 282,262.93	\$ 717,737.07	\$ 37,607.74	
									Total	\$ 282,262.93				

Weatherization

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Single family emergency repairs, accessibility, energy efficiency improvements and rehabilitation	\$ 1,500,000.00	Weatherization	\$ 500,000.00	Weatherization NOFA	\$ 500,000.00	8/16/2023	Central New Mexico Housing Corporation	11/15/2023	Board of Directors	\$ 350,000.00	\$ 350,000.00	\$ 150,000.00	\$ 22,480.31	
							Southwest Regional Housing and Community Development	11/15/2023	Board of Directors	\$ 150,000.00	\$ 500,000.00	\$ -	\$ -	
									Total	\$ 500,000.00				

Restoring Our Communities

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Single family acquisition and rehabilitation	\$ 2,000,000	ROC	\$ 2,000,000	NOFA	\$ 2,000,000.00	4/19/2023	North Central NM Economic Development Divison	Dec-23	Board of Directors	\$ -	\$ -	\$ 2,000,000.00		\$ -
							Homewise Inc.	Dec-23	Board of Directors	\$ -	\$ -	\$ 2,000,000.00		
							Sawmill Trust	Dec-23	Board of Directors	\$ -	\$ -	\$ 2,000,000.00		
									Total	\$ -				

Gap Financing

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Rental and single-family development	\$ 22,130,000.00	Gap financing loan	\$ 8,630,000.00	Gap Finanacing NOFA	\$ 8,630,000.00	5/17/2023	Three Sisters	6/21/2023	Board of Directors	\$ 3,500,000.00	\$ 3,500,000.00	\$ 5,130,000.00	\$ 500,000.00	\$ 500,000.00
							La Serena Apartments	9/20/2023	Board of Directors	\$ 1,000,000.00	\$ 4,500,000.00	\$ 4,130,000.00		
							Pedrena Apartments	10/18/2023	Board of Directors	\$ 1,000,000.00	\$ 5,500,000.00	\$ 3,130,000.00		
							Encino Senior Gardens	11/15/2023	Board of Directors	\$ 2,000,000.00	\$ 7,500,000.00	\$ 1,130,000.00		
									Total	\$ 7,500,000.00				

Preservation Loan Program

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Rental and single-family development	\$ 22,130,000.00	Preservation Loan	\$ 2,500,000.00	NOFA	\$ 2,500,000.00	3/1/2023	-	-	-	\$ -	\$ -	\$ 2,500,000.00		\$ -
									Total	\$ -				

SF Primero

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Rental and single-family development	\$ 22,130,000.00	Primero loan (SF)	\$ 3,000,000.00	NOFA	\$ 3,000,000.00	9/20/2023				\$ -	\$ -	\$ 3,000,000.00		
									Total	\$ -				

Single Family Development Pilot Program

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditures	Total Expenditures
Rental and single-family development	\$ 22,130,000	New Construction DPA	\$ 3,000,000.00	NOFA	\$ 3,000,000.00	10/18/2023				\$ -	\$ -	\$ 3,000,000.00		
									Total	\$ -				

Housing Innovation

Certified Use	Certified Use Amount	Activity Allocation	Activity Allocation Amount	Procurement (NOFAS, RFPS, Program Guidelines) Previously Approved by Board	Procurement Amount	Procurement Approval Date	Grantee	Date of Approval	Level of Approval	Award Amount	Running Activity Award Total	Running Activity Unawarded Balance	Award Expenditure	Total Expenditures
Rental and single-family development	\$ 22,130,000.00	Housing Innovation	\$ 5,000,000.00	NOFA	\$ 5,000,000.00	9/20/2023	Town of Silver City	12/13/2023	Board of Directors	\$ 500,000.00	\$ 500,000.00	\$ 4,500,000.00		
							NM Ramp Project	12/13/2023	Board of Directors	\$ 500,000.00	\$ 1,000,000.00	\$ 4,000,000.00		
									Total	\$ 1,000,000.00				

New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

November 30, 2023

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the two-month period ended November 30, 2023

COMPARATIVE FISCAL YEAR-TO-DATE FIGURES (Dollars in millions):

	2 months <u>11/30/2023</u>	2 months <u>11/30/2022</u>	% Change <u>Year / Year</u>	Forecast <u>11/30/2023</u>	Actual to <u>Forecast</u>	Forecast/Target <u>9/30/24</u>
PRODUCTION						
1 Single family issues (new money):	\$125.0	\$0.0		\$50.0	150.0%	\$300.0
2 Single family loans sold (TBA):	\$16.1	\$0.0		\$4.2	287.4%	\$25.0
3 Total Single Family Production	\$141.1	\$0.0		\$54.2	160.6%	\$325.0
4 Single Family Bond MBS Payoffs:	\$8.6	\$11.5	-25.6%	\$8.0	7.3%	\$47.9
STATEMENT OF NET POSITION						
5 Avg. earning assets:	\$1,808.5	\$1,650.7	9.6%	\$1,833.3	-1.4%	\$1,833.3
6 General Fund Cash and Securities:	\$104.9	\$99.4	5.6%	\$81.4	28.9%	\$81.4
7 General Fund SIC FMV Adj.:	-\$1.0	-\$0.8	-25.5%	N/A	N/A	N/A
8 Total bonds outstanding:	\$1,673.1	\$1,302.0	28.5%	\$1,565.7	6.9%	\$1,565.7
STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
9 General Fund expenses (excluding capitalized assets):	\$4.5	\$4.7	-3.9%	\$5.3	-15.5%	\$30.3
10 General Fund revenues:	\$4.7	\$4.5	4.1%	\$5.0	-6.9%	\$31.7
11 Combined net revenues (all funds):	\$1.1	\$0.1	969.9%	\$1.3	-12.9%	\$7.7
12 Combined net revenues excluding SIC FMV Adj. (all funds):	-\$0.3	\$1.8	-115.2%	\$1.3	-121.0%	\$7.7
13 Combined net position:	\$302.1	\$285.7	5.7%	\$303.8	-0.5%	\$303.8
14 Combined return on avg. earning assets:	0.37%	0.04%	876.5%	0.42%	-11.7%	0.42%
15 Combined return on avg. earning assets excluding SIC FMV Adj. (all funds):	-0.09%	0.64%	-113.9%	0.42%	-121.3%	0.42%
16 Net TBA profitability:	-0.12%	0.00%		0.10%	-218.3%	0.10%
17 Combined interest margin:	0.99%	0.87%	13.5%	0.76%	29.6%	0.76%
MOODY'S BENCHMARKS						
18 Net Asset to debt ratio (5-yr avg):	18.58%	25.57%	-27.3%	24.92%	-25.4%	24.92%
19 Net rev as a % of total rev (5-yr avg):	4.93%	4.12%	19.7%	8.95%	-44.9%	8.95%
SERVICING						
20 Subserviced portfolio	\$2,205.4	\$1,949.6	13.1%	\$2,126.6	3.7%	\$2,126.8
21 Servicing Yield (subserviced portfolio)	0.20%	0.43%	-54.4%	0.36%	-46.1%	0.36%
22 Combined average delinquency rate (MFA serviced)	9.39%	9.29%	1.1%	9.50%	-1.2%	9.50%
23 DPA loan delinquency rate (all)	8.92%	9.33%	-4.4%	N/A	N/A	N/A
24 Default rate (MFA serviced-annualized)	0.30%	0.36%	-16.7%	0.22%	38.5%	1.30%
25 Subserviced portfolio delinquency rate (first mortgages)	11.52%	11.85%	-2.8%	N/A	N/A	N/A
26 Purchased Servicing Rights Valuation Change (as of 9/30/23)	\$11.9	\$11.5	3.1%	N/A	N/A	N/A

Legend:

Positive Trend Caution Negative Trend Known Trend/Immaterial

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the two-month period ended November 30, 2023

SUMMARY OF BOND ISSUES:

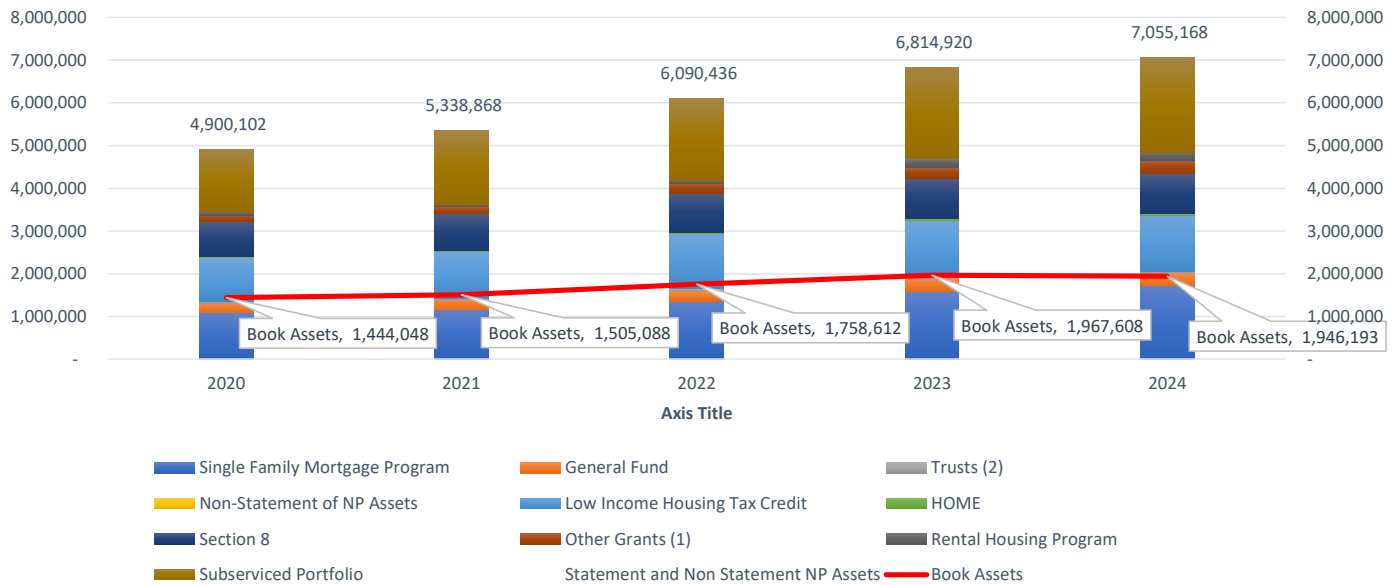
Single Family Issues:

2023D: \$125.0M

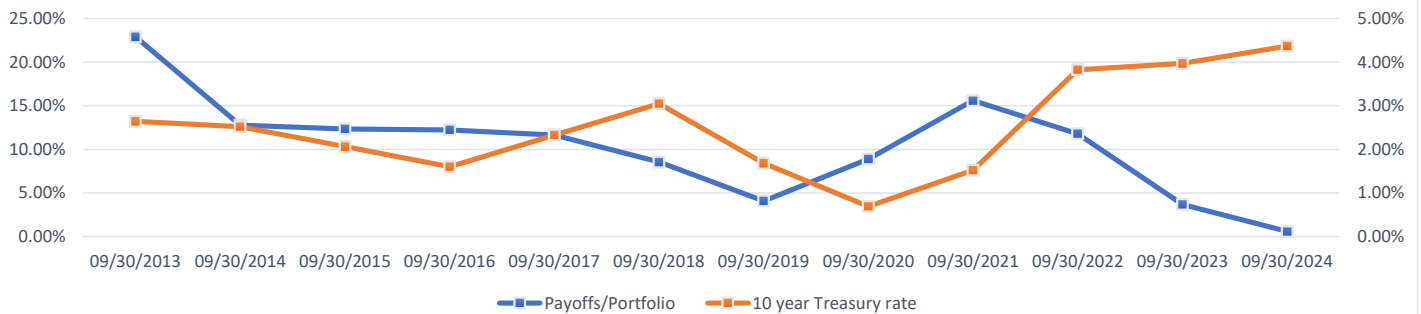
CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

- MFA has closed on one bond deal as of the start of the new fiscal year, for \$125 million. This bond deal is the largest single-family bond deal that MFA has issued, due to increased single-family mortgage production throughout 2023; even mortgages funded via TBA outpaced it's forecast for the month. MFA has exceeded our overall single-family production forecast by 161% made in March of 2023. Payoffs have slowed 26%, primarily because of the high-interest rate environment.
- Average earning assets are 10% higher than they were at least year, though slightly behind where we forecasted for the month. Increases in new bond issues primarily explain how MFA is earning interest on its balance sheet mortgages. General Fund investments with the State Investment Council saw a loss this past month, due to macro-economic factors outside of MFA's control.
- Revenues for the month were higher than they were last year and expenses lower than they were last year, though both lag a little behind than their budgets for the month. Because of the FMV loss on State Investment Council funds, our combined net revenues recognize a loss for the month.
- MFA's combined interest margin increased to 0.99% from 0.87% due to higher interest income on loans and investments. The rising interest rates are positively impacting loan portfolio performance, bolstering MFA's investment income and discouraging homeowners from refinancing their loans.
- Based on Moody's issuer credit rating scorecard, MFA's 18.58% net asset to debt ratio (5-year average), which measures balance sheet strength, indicates ample and stable resources for maintaining HFA's creditworthiness under stressful circumstances (15-20%). MFA's net revenue as a % of total revenue (5-year average) is currently 4.93%, and not within the optimal range (10-15%). The ratio was especially low in fiscal year 2022 due to FMV losses on SIC investments, unfavorable profitability in the TBA market, and increased repurchased loan expenses. MFA is expecting to slowly recover in fiscal year 2024. Moody's Investor Services completed an updated credit opinion on MFA's Issuer Credit Rating in June 2020. They assigned the Aa3 rating. Comments included a high asset-to-debt ratio, good profitability, and a low-risk profile due to a mortgage-backed security structure, and no exposure to variable-rate debt. Additionally, Moody's reaffirmed the Aaa rating on the single-family indenture in October 2023, noting a high quality of collateral and future profitability.
- MFA continues to monitor delinquencies and defaults on our loan portfolio to identify reduction strategies and refer borrowers to available loss mitigation programs. The subserviced portfolio delinquency rate, currently serviced by Idaho Housing Finance Authority, is 11.52%. The subserviced portfolio is currently characterized by approximately 82% FHA-insured loans. The Mortgage Bankers Association quarterly survey as of September 30, 2023, indicates that the delinquency rate for FHA loans nationally is 9.50%, and for New Mexico is 8.04%. In addition, FHA Single Family Loan Performance Trends for October 2023 showed 11.97% delinquency (for purchase loans only), which decreased from 13.17% in September 2023. Please note that FHA delinquency data only up until October month-end is currently available.
- The fair market value for purchased servicing rights as of September 2023 is \$32.0 million, an increase of about \$11.9 million over cost. GASB requires MFA to record the value of servicing rights at the 'lower of cost or market'. The elevated FMV is related to decreased prepayment speed projections, and increased earnings rates impacted portfolio value positively. The current recorded cost of the asset is \$20.1 million. Valuations are obtained every quarter.
- Items 1, 2, 3, and 26 do not show a percent change year over year. As last year's values were zero, the percentage resulted in an error, resulting from an attempt to divide by zero. While the trend is positive, there is not a accurate depiction of the change as a percentage.

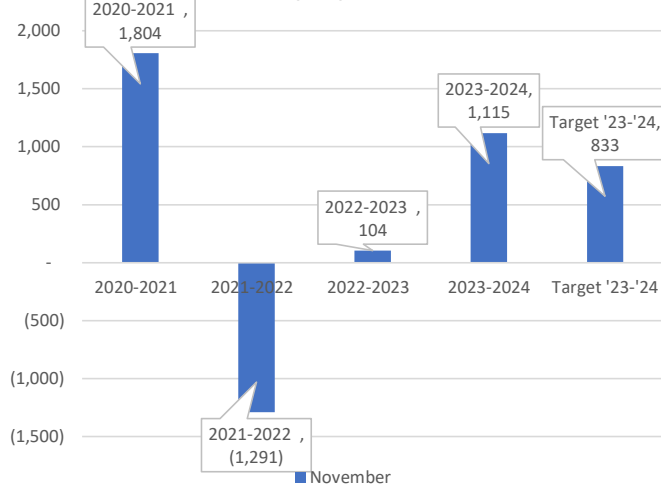
Assets Under Management as of 11/30/2023 (\$ in thousands)



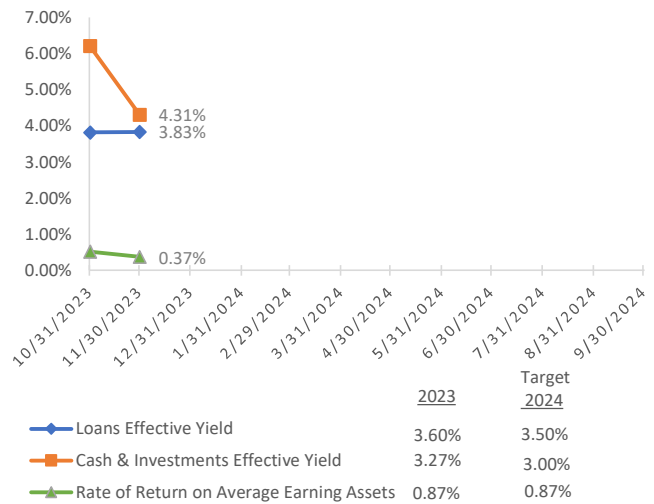
YTD Annualized Payoffs as a percentage of Single Family Mortgage Portfolio as of 11/30/2023



YTD Excess Revenues over Expenses as of 10/31/2023



YIELD TARGETS 9/30/2024



(1) Weatherization Assistance Programs; Emergency Shelter Grant; State Homeless; Housing Opportunities for People With Aids; NM State Tax Credit; Governor's Innovations; EnergySaver; Tax Credit Assistance Program; Tax Credit Exchange; Neighborhood Stabilization Program; Section 811 PRA; Homeownership Preservation Program (2) NM Affordable Housing Charitable Trust Fund; Land Title Trust Fund; Housing Trust Fund

NEW MEXICO MORTGAGE FINANCE AUTHORITY
COMBINED STATEMENT OF NET POSITION
NOVEMBER 2023
(THOUSANDS OF DOLLARS)

	<u>YTD 11/30/23</u>	<u>YTD 11/30/22</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$51,215	\$53,236
RESTRICTED CASH HELD IN ESCROW	10,607	9,399
SHORT-TERM INVESTMENTS	-	-
ACCRUED INTEREST RECEIVABLE	6,257	4,788
OTHER CURRENT ASSETS	6,547	5,596
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	(0)	0
TOTAL CURRENT ASSETS	<u>74,626</u>	<u>73,018</u>
 CASH - RESTRICTED	 185,112	 67,584
LONG-TERM & RESTRICTED INVESTMENTS	66,409	62,959
INVESTMENTS IN RESERVE FUNDS	-	-
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,534,943	1,272,269
MORTGAGE LOANS RECEIVABLE	203,067	172,429
ALLOWANCE FOR LOAN LOSSES	(9,441)	(9,982)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	11,581	1,767
OTHER REAL ESTATE OWNED, NET	2,403	2,564
OTHER NON-CURRENT ASSETS	10	13
INTANGIBLE ASSETS	21,265	18,179
TOTAL ASSETS	<u>2,089,975</u>	<u>1,660,801</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	148	182
 TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	 <u>2,090,123</u>	 <u>1,660,983</u>
 <u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$16,967	\$13,493
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	17,411	21,572
ESCROW DEPOSITS & RESERVES	10,497	9,296
TOTAL CURRENT LIABILITIES	<u>44,876</u>	<u>44,361</u>
 BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	 1,673,094	 1,301,978
MORTGAGE & NOTES PAYABLE	69,232	28,446
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	550	212
TOTAL LIABILITIES	<u>1,787,752</u>	<u>1,374,998</u>
DEFERRED INFLOWS	240	273
TOTAL LIAB/DEFERRED INFLOWS	<u>1,787,992</u>	<u>1,375,271</u>
 <u>NET POSITION:</u>		
NET INVESTED IN CAPITAL ASSETS	11,581	1,767
UNAPPROPRIATED NET POSITION (NOTE 1)	72,699	62,007
APPROPRIATED NET POSITION (NOTE 1)	217,851	221,937
TOTAL NET POSITION	<u>302,131</u>	<u>285,711</u>
 TOTAL LIABILITIES & NET POSITION	 <u>2,090,123</u>	 <u>1,660,983</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE SECOND MONTH ENDED NOVEMBER 2023
(THOUSANDS OF DOLLARS)

	<u>YTD 11/30/23</u>	<u>YTD 11/30/22</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$10,973	\$8,282
INTEREST ON INVESTMENTS & SECURITIES	1,749	941
LOAN & COMMITMENT FEES	849	727
ADMINISTRATIVE FEE INCOME (EXP)	1,017	835
RTC, RISK SHARING & GUARANTY INCOME	6	7
HOUSING PROGRAM INCOME	37	18
LOAN SERVICING INCOME	1,594	2,079
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	<u>16,226</u>	<u>12,888</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	(1,365)	(1,642)
OTHER NON-OPERATING INCOME	40	0
GRANT AWARD INCOME	16,725	11,551
SUBTOTAL NON-OPERATING REVENUES	<u>15,400</u>	<u>9,909</u>
TOTAL REVENUES	<u>31,625</u>	<u>22,797</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	3,599	4,212
INTEREST EXPENSE	9,738	6,822
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(473)	(443)
PROVISION FOR LOAN LOSSES	(11)	(11)
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	31	27
AMORT. OF SERV. RIGHTS & DEPRECIATION	248	285
BOND COST OF ISSUANCE	1,057	-
SUBTOTAL OPERATING EXPENSES	<u>14,190</u>	<u>10,890</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	39	10
GRANT AWARD EXPENSE	16,281	11,793
OTHER NON-OPERATING EXPENSE	-	-
SUBTOTAL NON-OPERATING EXPENSES	<u>16,320</u>	<u>11,803</u>
TOTAL EXPENSES	<u>30,510</u>	<u>22,693</u>
NET REVENUES	1,115	104
OTHER FINANCING SOURCES (USES)	0	-
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>1,115</u>	<u>104</u>
NET POSITION AT BEGINNING OF YEAR	<u>301,015</u>	<u>285,608</u>
NET POSITION AT 11/30/23	<u>302,131</u>	<u>285,712</u>

NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(in Thousands of Dollars)

(Note 1) MFA Net Position as of November 30, 2023:

UNAPPROPRIATED NET POSITION:

\$ 33,886	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 38,012	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 801	is held for New Mexico Affordable Housing Charitable Trust.
\$ 72,699	Total Unappropriated Net Position

APPROPRIATED NET POSITION: GENERAL FUND

By actions of the Board of Directors on various dates, General Fund net assets have been appropriated as follows:

\$ 118,129	for use in the Housing Opportunity Fund (\$107,872 in loans and grants plus \$10,257 unfunded, of which \$5,511 is committed).
\$ 24,248	for future use in Single Family & Multi-Family housing programs.
\$ 1,089	for loss exposure on Risk Sharing loans.
\$ 11,581	invested in capital assets, net of related debt.
\$ 20,818	invested in mortgage servicing rights.
\$ 33,007	for the future General Fund Budget year ending 09/30/24 (\$34,153 total budget less \$5,367 expended budget through 11/30/23.)
\$ 208,872	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

\$ 20,559	for use in the federal and state housing programs administered by MFA.
\$ 20,559	Subtotal - Housing Program
\$ 229,431	Total Appropriated Net Position
\$ 302,131	Total Combined Net Position at November 30, 2023

Total combined Net Position, or reserves, at November 30, 2023 was \$302 million, of which \$72.7 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$229 million of available reserves, with \$84 million primarily liquid in the General Fund and in the federal and state Housing programs and \$145.5 million illiquid in the programs of the General Fund, have been:

- for use in existing and future programs
- for coverage of loss exposure in existing programs
- to meet servicing requirements, and
- for support of operations necessary to carry out the programs.

MFA's general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, servicing requirements and operations.

GENERAL FUND
Fiscal Year 2023-2024 Budget
For the two months ended 11/30/2023

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Revenue							
Interest Income	791,890	1,631,593	1,338,647	8,031,882	(292,946)	6,400,289	20.31%
Interest on Investments & Securities	276,540	627,353	471,674	2,830,046	(155,679)	2,202,693	22.17%
Loan & Commitment Fees	26,576	42,442	25,500	153,000	(16,942)	110,558	27.74%
Administrative Fee Income (Exp)	895,125	1,718,428	1,604,865	9,629,192	(113,563)	7,910,763	17.85%
Risk Sharing/Guaranty/RTC fees	2,760	6,271	106,835	641,008	100,564	634,737	0.98%
Housing Program Income	28,334	37,004	50,828	1,835,258	13,824	1,798,254	2.02%
Loan Servicing Income	754,311	1,594,217	1,426,562	8,559,371	(167,655)	6,965,154	18.63%
Other Operating Income			-	-	-	-	
Operating Revenues	2,775,536	5,657,309	5,024,911	31,679,756	(632,398)	26,022,447	17.86%
Gain (Loss) Asset Sale/Debt Ex	(406,224)	(1,010,905)	-	-	1,010,905	1,010,905	
Other Non-operating Income	20,045	40,090	10,039	60,235	(30,051)	20,145	66.56%
Non-Operating Revenues	(386,179)	(970,815)	10,039	60,235	980,854	1,031,050	-1611.71%
Revenue	2,389,357	4,686,494	5,034,950	31,739,991	348,457	27,053,497	14.77%
Expenses							
Salaries	588,709	1,003,660	1,604,594	8,323,579	600,934	7,319,920	12.06%
Overtime	4,573	6,950	6,009	31,885	(941)	24,935	21.80%
Incentives	(39,642)	(39,580)	137,725	714,768	177,304	754,348	-5.54%
Payroll taxes, Employee Benefits	230,414	472,817	780,337	4,381,069	307,520	3,908,252	10.79%
Compensation	784,055	1,443,847	2,528,665	13,451,302	1,084,818	12,007,455	10.73%
Business Meals Expense	54	430	2,317	13,900	1,886	13,470	3.09%
Public Information	24,345	36,149	60,318	361,909	24,169	325,760	9.99%
In-State Travel	11,417	33,230	23,597	141,581	(9,634)	108,351	23.47%
Out-of-State Travel	23,958	50,713	52,345	314,070	1,632	263,357	16.15%
Travel & Public Information	59,774	120,523	138,577	831,460	18,054	710,937	14.50%
Utilities/Property Taxes	12,944	27,060	35,094	210,562	8,034	183,503	12.85%
Insurance, Property & Liability	22,992	45,985	40,918	245,510	(5,066)	199,525	18.73%
Repairs, Maintenance & Leases	116,730	228,658	295,722	1,709,334	67,064	1,480,676	13.38%
Supplies	4,885	7,173	5,783	34,700	(1,390)	27,527	20.67%
Postage/Express mail	4,426	8,714	7,600	45,600	(1,114)	36,886	19.11%
Telephone	2,113	3,543	4,917	29,501	1,374	25,959	12.01%
Janitorial	3,528	8,661	14,857	89,139	6,196	80,478	9.72%
Office Expenses	162,994	321,550	398,428	2,325,571	76,878	2,004,020	13.83%
Dues & Periodicals	8,524	14,946	13,350	80,097	(1,596)	65,151	18.66%
Education & Training	7,970	22,445	28,865	173,193	6,420	150,748	12.96%
Contractual Services	133,040	176,264	243,105	1,458,632	66,841	1,282,368	12.08%
Professional Services-Program	15,575	15,575	19,317	115,900	3,741	100,325	13.44%
Direct Servicing Expenses	538,188	1,314,657	976,747	5,860,479	(337,910)	4,545,822	22.43%
Program Expense-Other	89	24,224	46,304	277,824	22,080	253,600	8.72%

GENERAL FUND
Fiscal Year 2023-2024 Budget
For the two months ended 11/30/2023

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Rebate Analysis Fees			265	1,590	265	1,590	
Other Operating Expense	703,388	1,568,111	1,327,953	7,967,715	(240,158)	6,399,604	19.68%
Interest Expense	281,052	703,446	315,006	1,890,036	(388,440)	1,186,590	37.22%
Non-Cash Expenses	91,035	239,078	566,120	3,396,718	327,041	3,157,640	7.04%
Expensed Assets	76,445	80,313	28,892	173,350	(51,421)	93,037	46.33%
Operating Expenses	2,158,743	4,476,867	5,303,639	30,036,151	826,772	25,559,284	14.90%
Program Training & Tech Asst	2,125	5,836	17,207	103,242	11,371	97,406	5.65%
Program Development	25,040	32,876	22,717	136,300	(10,159)	103,424	24.12%
Capacity Building Costs	27,165	38,711	39,924	239,542	1,212	200,831	16.16%
Non-Operating Expenses	27,165	38,711	39,924	239,542	1,212	200,831	16.16%
Expenses	2,185,908	4,515,578	5,343,563	30,275,693	827,985	25,760,115	14.91%
Excess Revenue over Expenses	203,449	170,916	(308,613)	1,464,298	(479,528)	1,293,383	11.67%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2023-2024 Budget
For the two months ended 11/30/2023

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
2690 PURCHASED SERVICING RIGHTS	351,803	851,699	628,727	3,772,362	(222,972)	2,920,663	22.58%
2950 COMPUTER HARDWARE	-	-	17,554	105,324	17,554	105,324	0.00%
2960 SOFTWARE LICENSES	-	-	-	-	-	-	
2920 FURNITURE & EQUIPMENT-10 YR	-	-	778,500	778,500	778,500	778,500	0.00%
2930 FURNITURE & EQUIP, 5 YR.	-	-	-	-	-	-	
2860 BUILDING	-	-	3,442,189	3,442,189	3,442,189	3,442,189	0.00%
Capital Budget	351,803	851,699	4,866,970	8,098,375	4,015,271	7,246,676	10.52%