



MFA Housing New Mexico
 MFA November Board of Directors Meeting
 November 16, 2022
 9:30 am-12:30 pm Mountain Time

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of 10/19/21 Board Meeting Minutes – Board Action
- Executive Director Updates

Board Action Items (Action Required?)

Finance Committee

- 1 Follow-up on Outstanding Audit Findings (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) YES
- 2 Budget vs Actual for Internal Audit Contract with REDW (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) YES
- 3 Approval of HOME Rehab Internal Audit Report (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) Finance Committee YES
- 4 Approval of Subservicing Oversight Internal Audit Report. (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) YES
- 5 Approval of Vendor Management Internal Audit Report. (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) YES
- 6 9/30/22 Quarterly Financial Statement Review (Lizzy Ratnaraj) YES
- 7 9/30/22 Quarterly Investment Review (Cooper) YES
- 8 To be Announced (TBA) Administrator Request for Proposals (RFP) Award (Cooper Hall and Viktoria Gonsior) YES

Contracted Services/Credit Committee & New Mexico Housing Trust Fund (NMHTF) Advisory Committee

- 9 HOME-American Rescue Plan (Act) (ARP) Award – Cornerstone Apartments (George Maestas) YES
- 10 HOME-American Rescue Plan (Act) (ARP) Award – Route 66 Flats (Hannah Faulwell and George Maestas) YES
- 11 Copper Terrace - Fiscal Recovery Funds (FRF) Grant Request (Tim Martinez and George Maestas) YES

- 12 Request for Proposal For Graphic Design and Creative Services (Paul Dahlgren) YES

Other

- 13 Approval of MFA Rules and Regulations Proposed Amendment (Julie Halbig and Jeff Payne) YES
- 14 Award of Internal Audit Request For Proposals (RFP) (Julie Halbig) YES
- 15 FY 2021 Strategic Plan Close Out (Donna Maestas-DeVries, Jeff Payne and Lizzy Ratnaraj) YES

Closed Session

- 16 Executive Session – Acquisition of Real Property NO
- Executive Session to be held pursuant to Section 10-15-1 H (8) of the Open Meetings Act: Discuss Space Needs Assessment Related to Acquisition of Real Property (Doug Heller, Izzy Hernandez and Jeff Payne)
- 17 Executive Session -Limited Personnel Matters YES
- 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)

Open Session

- 18 Space Needs Assessment Related to Acquisition of Real Property (Doug Heller, Izzy Hernandez and Jeff Payne)
- 19 Executive Director Performance and Compensation Review – (Chair Reyes) YES
- 20 Sally Malavé Recognition – years of service NO

Other Board Items

Information Only

- 21 **(Staff is available for questions)**
- Staff Action Requiring Notice to Board
 - COVID Staff Actions

Quarterly Reports

No Action Required

- 22 **(Staff is available for questions)**
- Quarterly Board Report

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings

- December 6, 2022 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
- December 14, 2022 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting-MFA)
- January 10, 2023 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
- January 18, 2023 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting- Santa Fe (location TBD))
- February 7, 2023 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
- February 15, 2023 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting, Location TBD)



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, November 16, 2022 at 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting

Roll Call (Izzy Hernandez)

- Approval of Agenda – Board Action
- Approval of 10/19/22 Board Meeting Minutes – Board Action
- Executive Director Updates

Board Action Items

Action Required?

Finance Committee

- | | |
|---|-----|
| 1 Follow-up on Outstanding Audit Findings (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) | YES |
| 2 Budget vs Actual for Internal Audit Contract with REDW (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) | YES |
| 3 Approval of HOME Rehab Internal Audit Report (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) Finance Committee | YES |
| 4 Approval of Subservicing Oversight Internal Audit Report. (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) | YES |
| 5 Approval of Vendor Management Internal Audit Report. (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) | YES |
| 6 9/30/22 Quarterly Financial Statement Review (Lizzy Ratnaraj) | YES |
| 7 9/30/22 Quarterly Investment Review (Cooper Hall) | YES |
| 8 To be Announced (TBA) Administrator Request for Proposals (RFP) Award (Cooper Hall and Viktoria Gonsior) | YES |

Contracted Services/Credit Committee & New Mexico Housing Trust Fund (NMHTF) Advisory Committee

- | | |
|--|-----|
| 9 HOME-American Rescue Plan (Act) (ARP) Award – Cornerstone Apartments (George Maestas) | YES |
| 10 HOME-American Rescue Plan (Act) (ARP) Award – Route 66 Flats (Hannah Faulwell and George Maestas) | YES |
| 11 Copper Terrace - Fiscal Recovery Funds (FRF) Grant Request (Tim Martinez and George Maestas) | YES |
| 12 Request for Proposal For Graphic Design and Creative Services (Paul Dahlgren) | YES |

Other

- | | |
|--|-----|
| 13 Approval of MFA Rules and Regulations Proposed Amendment (Julie Halbig and Jeff Payne) | YES |
| 14 Award of Internal Audit Request For Proposals (RFP) (Julie Halbig) | YES |
| 15 FY 2021 Strategic Plan Close Out (Donna Maestas-DeVries, Jeff Payne and Lizzy Ratnaraj) | YES |

Closed Session

Action Required

- | | |
|--|-----|
| (Motion and affirmative vote are required to close the meeting for these limited purposes) | |
| 17 Executive Session – Acquisition of Real Property | NO |
| <ul style="list-style-type: none"> ▪ Executive Session to be held pursuant to Section 10-15-1 H (8) of the Open Meetings Act: Discuss Space Needs Assessment Related to Acquisition of Real Property (Doug Heller, Izzy Hernandez and Jeff Payne) | |
| 16 Executive Session -Limited Personnel Matters | YES |
| <ul style="list-style-type: none"> ▪ 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) | |

<u>Open Session</u>	<u>Action Required</u>
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(Motion and affirmative vote are required to open the meeting)

- | | |
|---|-----|
| 18 Space Needs Assessment Related to Acquisition of Real Property (Doug Heller, Izzy Hernandez and Jeff Payne) | NO |
| 19 Executive Director Performance and Compensation Review – (Chair Reyes) | YES |
| 20 Sally Malavé Recognition – years of service | NO |

<u>Other Board Items</u>	<u>Information Only</u>
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- 21 (Staff is available for questions)**
- Staff Action Requiring Notice to Board
 - COVID Staff Actions

<u>Quarterly Reports</u>	<u>No Action Required</u>
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- 22 (Staff is available for questions)**
- Quarterly Board Report

<u>Announcements and Adjournment</u>	<u>Discussion Only</u>
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Confirmation of Upcoming Board Meetings

- December 6, 2022 – Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
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- January 10, 2023 – Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
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- February 7, 2023 – Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
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NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, November 16, 2022 at 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting

Roll Call (Izzy Hernandez)

- Approval of Agenda – Board Action
- Approval of 10/19/22 Board Meeting Minutes – Board Action
- Executive Director Updates

Board Action Items

Action Required?

Finance Committee

- | | | |
|----------|--|-----|
| 1 | Follow-up on Outstanding Audit Findings (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) - Board approval is requested for the year-end report detailing the status of the Outstanding Audit Findings. | YES |
| 2 | Budget vs Actual for Internal Audit Contract with REDW (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) - Board approval is requested for the fiscal year end report on the Budget vs Actual status of the Internal Audit Contract. | YES |
| 3 | Approval of HOME Rehab Internal Audit Report (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) - Board approval is requested for the HOME Rehab Internal Audit Report. | YES |
| 4 | Approval of Subservicing Oversight Internal Audit Report. (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) - Staff recommends approval of the Subservicing Oversight Internal Audit Report. REDW did not identify any reportable observations related to MFA's oversight of Idaho Housing and Finance Administration (IHFA). | YES |
| 5 | Approval of Vendor Management Internal Audit Report. (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW) - Staff recommends approval of the Vendor Management Internal Audit Report. REDW did not identify any reportable findings as part of their testing of the Vendor Management Compliance System. | YES |
| 6 | 9/30/22 Quarterly Financial Statement Review (Lizzy Ratnaraj) - ongoing | YES |
| 7 | 9/30/22 Quarterly Investment Review (Cooper Hall) - ongoing | YES |
| 8 | To be Announced (TBA) Administrator Request for Proposals (RFP) Award (Cooper Hall and Viktoria Gonsior) - At the August 2022 Board meeting, the MFA Board approved a Request for Proposal (RFP) to Provide To Be Announced Single Family Program Administrative Services. MFA received three responses to the RFP which all met minimum qualifications. The proposals were scored by an internal committee of five staff members in accordance with the evaluation criteria outlined in the RFP. Hilltop received the highest number of points. Staff recommends that Hilltop be selected to provide To Be Announced Single Family Program Administrative Services. Per the RFP, the contract begins on the date the MFA Board approves the award and ends on November 30, 2025. At the option of the Policy Committee, the contract may be extended for two, one (1) year periods under the same terms and conditions. | YES |

Contracted Services/Credit Committee & New Mexico Housing Trust Fund (NMHTF) Advisory Committee

- | | | |
|-----------|--|-----|
| 9 | HOME-American Rescue Plan (Act) (ARP) Award – Cornerstone Apartments (George Maestas) – A HOME-ARP grant request in the amount of \$8,721,574 for Cornerstone Apartments, located in Lordsburg, New Mexico. Cornerstone Apartments is a New Construction project that will create 30 rental units, of which 100% are income-restricted consisting of one-bedroom units. Twenty-five of the 30 income-restricted units will be reserved for households earning 30% or less of the Area Median Income (AMI) and five units will be reserved for households earning 50% or less of the AMI. | YES |
| 10 | HOME-American Rescue Plan (Act) (ARP) Award – Route 66 Flats (Hannah Faulwell and George Maestas) – A HOME-ARP grant request in the amount of \$1,701,121 for Route 66 Flats, located in Albuquerque, New Mexico. Route 66 Flats is a New Construction project that will create 48 rental units, of which 47 are income-restricted | |

consisting of only one-bedroom units. The 47 income-restricted units will be reserved for households earning 30% or less of the Area Median Income (AMI). YES

- 11 Copper Terrace - Fiscal Recovery Funds (FRF) Grant Request (Tim Martinez and George Maestas) - A Fiscal Recovery Funds (FRF) grant request in the amount of \$1,800,000 for Copper Terrace Apartments, located in Albuquerque, New Mexico. Copper Terrace Apartments is an Acquisition & Rehabilitation and partial New Construction project that will create 100 rental units, of which 90 are income-restricted consisting of one-, two-, three- and four-bedroom units. The 90 income-restricted units will be reserved for households earning 30% of the Area Median Income (AMI), 50% of the AMI, and 60% of the AMI. Eighty units will receive HUD Section 8 project-based vouchers and 25 units will serve Households with Children. YES
- 12 Request for Proposal For Graphic Design and Creative Services (Paul Dahlgren) - The Graphic Design Services RFP is being issued to find and contract a qualified graphic design firm to provide ongoing professional services, including the design and production of digital and printed publications and graphics. The contract is a one-year contract with up to two, one-year extensions. The annual budget for the services detailed in the RFP is \$75,000. The current contract for these services is set to expire on January 17, 2023, so the RFP process timeline was set to try and have a contractor selected prior to the expiration of the current contract. YES

Other

- 13 Approval of MFA Rules and Regulations Proposed Amendment (Julie Halbig and Jeff Payne) - Board approval is requested for an amendment to the definition of “moderate income” for all non-federal unrestricted programs administered by MFA to be increased up to 150% of AMI. All federal or restricted programs will follow the income requirements outlined in the regulatory on contractual documents. YES
- 14 Award of Internal Audit Request For Proposals (RFP) (Julie Halbig) - Staff recommends award of the Internal Audit & Related Services Request for Proposal (RFP) to Moss Adams. The proposals were scored by an internal committee of four staff members in accordance with the evaluation criteria outlined in the RFP. We received four (4) responses and all four met the Minimum Requirements and were scored. The contract is for a term of two (2) years, with the option of three (1) one-year extensions at the option of the Policy Committee. YES
- 15 FY 2022 Strategic Plan Close Out (Donna Maestas-DeVries, Jeff Payne and Lizzy Ratnaraj)- Staff will present to the Board benchmark results for FY22 of the MFA Strategic Plan. YES

Closed Session

Action Required

(Motion and affirmative vote are required to close the meeting for these limited purposes)

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Open Session

Action Required

(Motion and affirmative vote are required to open the meeting)

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- 19 Executive Director Performance and Compensation Review – (Chair Reyes) YES

Other

- 20 Sally Malavé Recognition – years of service NO

Other Board Items

Information Only

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No Action Required

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

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NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting Minutes
344 4th St. SW, Albuquerque, NM
Wednesday, October 19, 2022 at 9:30 a.m.

Chair Reyes convened the meeting on October 19, 2022 at 9:37 a.m. Secretary Hernandez called the roll. Members present: Chair Angel Reyes, Sally Malavé (designee for Attorney General Hector Balderas), Martina C'de Baca (designee for Lieutenant Governor Howie Morales), Treasurer Tim Eichenberg, Rebecca Wurzbarger and Patricia Sullivan. Absent: Vice Chair Derek Valdo. 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 the recording microphone sensitivity.

Approval of Agenda – Board Action. Motion to approve the October 19, 2022 Board agenda as recommended: Malavé. Second: Sullivan. Vote: 6-0.

Approval of September 14, 2022 Board Meeting Minutes – Board Action. Motion to approve the September 14, 2022 Board Meeting Minutes as presented: Wurzbarger. Second: Sullivan. Vote: 6-0.

Hernandez informed the Board that Donna Maestas-De Vries would be providing the updates after a couple of announcements. He introduced Monica Ponce-Sedillo who will be training as Sandra's backup. Rebecca Velarde's last day was Friday, stating that Robyn Powell had been promoted to Director of Policy and Planning. He made reference to tab six and informed the Board that 2022 E will be priced on November 8, 2022 and that the 2022 D Pricing Summary is also available to be reviewed. Maestas-De Vries went over the following topics: **Mortgage Operations:** Subservicing portfolio.: \$1.939 B/12,426 loans.10.29% Growth. FY2022 Delinquencies declined from (3/20) 15.67%; (2/22)12.55%; (6/22) 11.61% (9/22) to 10.48%. 1st Home (GOV) Int. Rate:6.125% 10/6/22); 5.25%(9/6/22) -4.50% (4/15/22). HAF Program Expenditures as of (9/30/2022) – graph reviewed total \$6,458,580. **Significant meetings/presentations:** 9/19/22: Meeting w/SF School Superintendent for teacher housing, 9/22/22: Legislative Finance Committee (LFC) Presentation –Taos Ski Valley where Chairwoman Lundstrom asked that we develop program to assist high cost areas, 9/27/22: DFA NSP Audit Entrance Conference (no findings), 10/14/22: USDA Housing Round Table – Las Vegas. 10/14/22: Legislative Oversight Committee (LOC) Meeting & Capital Outlay Hearing Presentation, 10/03/22:ABQ City Council – Housing Strategy Presentation. **Upcoming Actions/Activities:** 10/14/22: USDA Housing Round Table –Las Vegas to discuss fires for the wildfire victims (follow up call tomorrow), 11/09: Weatherization Day in Albuquerque. 11/30 last LOC meeting. Reviewed the New Mexico Housing Strategy Graphs. Hernandez informed the Board that he had been in touch with Paul Cassidy to discuss military housing, stating that once they reach an E3 status they would not qualify for our programs.

Consent Agenda

1 Approval of the Emergency Homeless Assistance Program (EHAP) Amended Award PY22-23 (Janice Shije and John Garcia) - Staff requests the approval of the amended awards in the amount of \$265,634.99 for the Emergency Homeless Assistance Program. Upon approval, contract amendments will be sent to these 17 shelters-annual Compliance Activity Report (Julie Halbig & Robyn Powell).

Chair Reyes confirmed that all board members agree to approve the consent agenda item 1) Approval of the Emergency Homeless Assistance Program (EHAP) Amended Award PY22-23, seeing and hearing no objections he asked for a motion. Eichenberg made the motion to approve the consent agenda: Second: Wurzbarger. Vote: 6-0.

Finance Committee

2 2023 Qualified Allocation Plan (Jeanne Redondo & Kathryn Turner). Redondo began her presentation by informing the Board that today she is bringing the final draft of 2023 State of New Mexico Housing Tax Credit Program Qualified Allocation Plan (QAP) for Board approval. It is reflective of edits of accumulative changes through the year to include input on policy changes through the developer forum, discussion with MFA departments policy and planning and asset management, and comments received during the public comment period. She further

informed the Board that as she goes through the memo, she will point out the changes that came from the public process including the developers forum. She reviewed the changes in the QAP as listed in the memo located behind two as well as the draft redlined QAP located behind the memo, which will be made a part of the official board packet. Redondo further stated the proposed changes to the 2023 QAP continue to improve the allocation process. Discussion ensued regarding bringing the QAP earlier to the Board to allow participants more time for the application process; what would that take. Further discussion ensued regarding the process and a two year QAP. Motion to approve the 2023 Qualified Allocation Plan as presented: Wurzburger. Second: Sullivan. Vote: 6-0.

Contracted Services/Credit Committee

- 3 Bi-annual Compliance Activity Report (Julie Halbig).** Halbig began her presentation by informing the Board the compliance activities report is intended to provide information to the Board regarding compliance management activities and the results of related oversight of MFA's Homeownership and Servicing departments, including subservicing oversight. She reviewed the memo located behind tab three which will be made a part of the official board packet. She stated the activities described in this report cover April 2022- September 2022. Halbig informed the Board that the following report will focus on the following areas: Vendor Management. Subservicing Oversight, Loan Quality Control and Regulatory Compliance, she also reviewed the total Homeowner Assistance Funds (HAF) distributed. She reported that during this reporting period, no significant compliance concerns were identified. Non Action Item.
- 4 Award for Professional Services for the Sale of Commercial Real Estate RFP (Jeff Payne).** Payne began his presentation by providing background information reminding the Board that In August 2022, the MFA Board of Directors approved an RFP to select a commercial real estate broker to assist with the sale of our existing location. Staff recommends award of the New Mexico Mortgage Finance Authority Request for Proposals to Provide Professional Services for the Sale of Commercial Real Estate to Real Estate Advisors, LLC. Payne further explained MFA received offers from five commercial real estate brokers with varying levels of experience, especially in the downtown market. An MFA internal review team of five was assigned to independently evaluate each proposal and then come together to share their conclusions. Real Estate Advisors, LLC was selected as the top proposal. Their proposal documented significant experience in the downtown commercial real estate market, attractive fees, and presented a very good plan for the sale of the MFA building. MFA procurement policies require MFA Board approval of the RFP award. He reviewed the services to be performed, evaluation criteria and scoring results. Motion to approve the Award for Professional Services for the Sale of Commercial Real Estate RFP to Real Estate Advisors, LLC. as presented: Eichenberg. Second: Wurzburger. Vote: 6-0.

Chair Reyes informed the Board that we would take a break and meet back in five minutes for the National Innovation in Land Use/Planning Policies to Support Affordable Housing Training presentation. 10:56 a.m.

- 5 Training – National Innovations in Land Use/Planning Policies to Support Affordable Housing (Heidi Aggeler, Root Policy Research and Ted Chavez).** As a follow up to the New Mexico Housing Strategy, Heidi Aggeler of Root Policy Research provided an informational presentation on innovative land use and planning policies that can improve access to and provide support for affordable housing. She provided background information on Fair Share Model Exercise - Comparable States; New Hampshire, Utah, Colorado, Texas (Austin), Oregon and California. Areas examined; 1) Housing needs considered in planning commission approval; 2) Incentives: funding for assessments/regulatory reform, transportation, infrastructure 3) By right/fast track approval and density. incentives/flexibility; and 4) Land use reform.

Other Board Items - Information Only

- 6 There were no questions asked of staff.**
- Staff Actions Requiring Notice to Board
 - COVID Staff Actions Requiring Notice to Board
 - 2022 Series D Pricing Summary
 - Upcoming Single Family Bond Issue 2022 Series E

Monthly Reports - No Action Required

- 7 There were no questions asked of staff.**
- 8/31/22 Financial Statements

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes stated that next month's meeting will be on November 16, 2022 at the MFA office.

There being no further business the meeting was adjourned at 11:54 a.m.

Approved: November 16, 2022

Chair, Angel Reyes

Secretary, Isidoro Hernandez



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Wednesday, November 8, 2022 at 1:30 p.m.

Webex - call-in information is +1-408-418-9388 (access code): 2494 969 5219
or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
Agenda		YES
1 Follow-up on Outstanding Audit Findings (Jessica Bundy, CPA, Principal, and Shantelle Turner, CPA, CIA and CFE, Internal Audit Manager, of REDW)	3-0	
2 Budget vs Actual for Internal Audit Contract with REDW (Jessica Bundy and Shantelle Turner of REDW)	3-0	YES
3 Approval of HOME Rehab Internal Audit Report (Jessica Bundy, and Shantelle Turner of REDW) Finance Committee	3-0	YES
4 Approval of Subservicing Oversight Internal Audit Report. (Jessica Bundy and Shantelle Turner of REDW)	3-0	YES
5 Approval of Vendor Management Internal Audit Report. (Jessica Bundy and Shantelle Turner of REDW)	3-0	YES
6 9/30/22 Quarterly Financial Statement Review (Lizzy Ratnaraj)	3-0	YES
7 9/30/22 Quarterly Investment Review (Cooper Hall)	3-0	YES
8 To be Announced (TBA) Administrator Request for Proposals (RFP) Award (Cooper Hall and Viktoria Gonsior)	3-0	YES
9 Award of Internal Audit RFP (Julie Halbig)	3-0	YES
Information items		NO
10 September 2022 Wire Transfers	✓	
11 September 2022 Check Register	✓	NO

Committee Members present:

Angel Reyes, Chair

present

absent

conference call

State Treasurer Tim Eichenberg

present

absent

conference call

Lt. Governor Howie Morales or
Proxy Martina C' de Baca

present

absent

conference call

Tab 1



New Mexico Mortgage Finance Authority
Follow-Up on Open Internal Audit Observations

October 2022

New Mexico Mortgage Finance Authority Follow-Up on Open Internal Audit Observations

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SCOPE AND PROCEDURES PERFORMED.....	5

New Mexico Mortgage Finance Authority Follow-Up on Open Internal Audit Observations Report

New Mexico Mortgage Finance Authority
Board of Directors

INTRODUCTION

REDW performed the internal audit services described below to assist New Mexico Mortgage Finance Authority (MFA) in evaluating whether open internal audit observations issued through September 2022, have been resolved.

Our services were performed in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contractual agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

PURPOSE AND OBJECTIVES

REDW performed follow-up on open internal audit observations in response to MFA's interest in whether previous internal audit observations have been resolved. We focused on assessing the current status of each observation. The follow-up internal audit was not intended to be a complete re-audit of the departments and functions; therefore, the scope of our procedures was limited compared to what would be performed in a full internal audit of each department or function. The follow-up did not include assessing the status of best practice recommendations. Processes were analyzed to determine if adequate corrective actions were implemented to resolve the observation and documentation was reviewed to verify if new processes were properly implemented.

FOLLOW-UP ON PRIOR INTERNAL AUDIT OBSERVATIONS

Summary by internal audit with current status of observations:

#	Observation	Current Status
Information Technology Security — August 2019		
1	The Computer Security Incident Response Plan (CSIRP) has not been tested. <ul style="list-style-type: none"> Computer Security Incident Response Plan 	Resolved
2	There are no written policies and procedures to address how IT risk assessment/risk management is performed and no IT risk assessment has been completed to identify IT specific areas of risk. <ul style="list-style-type: none"> IT Risk Assessment 	Improved – Resolution in process
Mortgage Operations — June 2021		
1	There were delays in the loan modification and re-pooling processes that exceeded MFA’s reasonable timeframes for these activities to be completed. <ul style="list-style-type: none"> Loan Modification and Re-pooling Timeline 	Improved – Resolution in process
Section 811 Program — March 2022		
1	Within the Annual Monitoring Review documentation, one of the LLAs had not responded to the monitoring report and MFA had not performed followed up. <ul style="list-style-type: none"> Local Lead Agencies Monitoring 	Resolved

Follow-up on Prior Internal Audit Observations:

The following pages of the report provide the findings as originally reported, and management’s response. We also describe the procedures performed to determine the current status of the observations and the result of those procedures.

Information Technology Security Internal Audit

1. Computer Security Incident Response Plan

Observation as Previously Reported

“MFA has an Incident Response Plan/Procedures which includes procedures to respond to specific security incidents. In addition, MFA has a documented approved Data Breach Notification Policy and Procedures which is based on the NM Data Breach Notification Act and includes a section related to data breach responses. These combined serve as the Computer Security Incident Response Plan (CSIRP); however, this plan has not been tested. Data security best-practices require organizations to have a formal, written CSIRP that is tested at least annually, and a trained team of people to evaluate and investigate possible attack scenarios so that the organization can effectively handle and mitigate the impact of these scenarios.

MFA also has a draft Incident Response Plan Policy which requires each business unit to develop their own (CSIRP) as part of their business continuity operations, however, a CSIRP should be independent of a business continuity plan and an enterprise-wide solution (i.e., not specific to individual business units).”

Risk Level: Moderate

Management Response as Previously Reported

“Management agrees with this observation. MFA will develop the Computer Security Incident Response Plan, which combines the Incident Response Plan/Procedures and Data Breach Notification Policy, along with removing the requirement for all business units having to create their own CSIRP. Upon completion, the plan will be approved and tested annually.”

Current Status

Resolved: MFA completed the Information Services Incident Response Plan, dated June 14, 2022, to assist the Information Services Department with the containment, eradication and recovery from a cyber incident. REDW’s testing of the Incident Response plan identified the plan included NIST best practices such as detection, communication, training and testing of the incident response team, evidence preservation, and post-incident documentation. Additionally, the IT Service Department completed an incident response exercise to test the plan’s procedures on June 30, 2022. REDW’s review of the exercise documentation identified documented steps taken throughout the incident, screenshots for supporting evidence, and a detection and analysis table identifying which actions were completed for the exercise.

2. IT Risk Assessment

Observation as Previously Reported

“MFA has an Enterprise Risk Assessment Policy as part of the Internal Audit Policy. The policy requires the Compliance Officer to conduct an annual enterprise risk management assessment that identifies the areas of risk and ranks them low, medium, or high. The most recent enterprise risk assessment ranked data security, technology, and disaster recovery as high-risk areas. MFA does not have written policies and procedures to address how IT risk assessment/ risk management will be performed and no global IT risk assessment has been completed to identify IT specific areas of risk. While external and internal vulnerability scans and penetration tests are done annually and can help identify vulnerabilities, they are not a complete global IT risk assessment.”

Risk Level: Low

Management Response as Previously Reported

“Management agrees with this observation. MFA will develop an IT Risk Assessment and Risk Management policy and incorporate that into the IT policies and procedures. The assessment process and procedure will include input from all areas of the organization. Action plans will be identified for those items identified as high risk and the assessment will be performed on an annual basis or if significant changes are made to the environment.”

Current Status

Improved – Resolution in Process: An IT Risk Assessment policy has been created and approved but the global IT risk assessment has been started, but not completed. REDW tested the IT Risk Assessment policy and its approval by the Senior Director of Information Technology. MFA recently added an Information Security Analyst position to their Information Services team, who is tasked with the completion of the global IT Risk Assessment. MFA expects to complete the global risk assessment in December 2022.

Mortgage Operations Internal Audit

1. Loan Modification and Re-pooling Timeline

Observation as Previously Reported

“Loan modifications and re-pooling on a timely basis are critical to ensure the loan portfolio is properly managed and risks related to default is minimized. While MFA does not have a strict policy on the timing of these two processes, MFA personnel provided timeframes believed to be reasonable yet expedient enough to help mitigate loan default. Loan modifications are completed by Idaho Housing Finance Authority on behalf of MFA and loans modified are then re-pooled by MFA. In our testing of 10 loans, we identified the following:

- Two of the loans had a loan modification completed in a timeframe that exceeded six months; and,
- Four of the loans had a re-pooling completed that exceeded 60 days, ranging from 91 to 185 days.”

Risk Level: Moderate

Management Response as Previously Reported

“Management agrees with this recommendation. Staff is currently tracking the time between loan modification repurchase and re-pooling and will establish written policies and procedures which include acceptable thresholds for re-pooling current loans. Additionally, staff will establish written procedures for handling exception loans that do not re-pool in the expected timeframes. These written policies will be communicated to the Sub-servicer, Idaho Housing and Finance Association, and any such re-pooling requests will be monitored on an ongoing basis.”

Current Status

Improved – Resolution in Process: MFA is working with Idaho Housing and Finance Association to establish best practices and implement procedures for standardized re-pooling timeframes related to delinquent loans. These timeframes have been discussed and implemented under verbal agreement. However, this modification cannot be formally updated in the existing contract until the RFP is issued in 2023. We will consider this unresolved until the contract is modified to include preferred timeframes for these processes.

Section 811 Program Internal Audit

1. Local Lead Agencies Monitoring

Observation as Previously Reported

“According to the Program Guide, Local Lead Agencies (LLAs) are required to submit complete responses to deficiencies within 30 days from the date of receipt of their monitoring report. If timely response is not received, MFA sends follow up letters to the LLA prompting a response. We identified that although one of the two LLAs did not submit a timely response to their monitoring report dated January 5, 2022, there had been no follow up performed as of March 23, 2022.

Potential Risk: Low – MFA noted deficiencies at the LLA related to not maintaining the waiting list as required, not marketing the program as required, and not performing consistent and timely property check-ins. Without proper follow up, deficiencies noted during LLA monitoring visits may continue, making it difficult for MFA to perform effective oversight. This is assessed as a low risk as the areas identified in the monitoring were not significant, and the missed follow up was due to a temporary staffing shortage and all other follow ups were conducted timely.”

Management Response as Previously Reported

“Management’s Response: Management agrees with this recommendation and will create calendar reminders before the deadline that LLAs/owners responses are due and has already created calendar reminders for the LLAs/owners response deadlines.”

Current Status

Resolved: MFA updated the *Section 811 Project Rental Assistance Program – Monitoring Policy* to include the process for adding calendar reminders for response deadlines.

SCOPE AND PROCEDURES PERFORMED

Procedures and Interviews: In order to follow-up on the observations to determine if each had been resolved, we interviewed MFA employees and performed the following procedures:

- We obtained the listing of open internal audit observations including the current status;
- We discussed the corrective action taken by the department;
- We obtained support for notification of corrections.

* * * * *

This report is intended solely for the information and use of MFA management, the finance committee, members of the Board and others within the organization. If additional procedures had been performed, other matters might have come to our attention that would have been reported to you.

We would be pleased to meet with you to discuss our observations and answer any questions.
We sincerely appreciate the courtesy extended to our personnel.

*REDW*_{LLC}

Albuquerque, New Mexico

October 19, 2022

Tab 2



Internal Audit Hours Summary

Area	2022 Budgeted Hours	2022 Actual Hours	Variance (Over)/Under	Comments
ERM/Fraud Training	50	42	8	
Section 811 Program	80	88	-8	1 low risk observation identified
Subservicing Oversight	30	25	5	Process improvement recommendations provided
Vendor Management	70	63	7	Process improvement recommendations provided
HOME Rehab	130	134	-4	Performed HOME Rehab IA instead of Weatherization program. 1 low risk observation identified. Process improvement recommendations provided
Mortgage Operations	100	103	-3	No reportable observations
Risk Assessment/Follow-up/Annual Reporting and Administration	50	8	42	
Total hours through 9/30/22	510	463	47	

Tab 3



New Mexico Mortgage Finance Authority
HOME Rehabilitation Program Internal Audit

July 2022

New Mexico Mortgage Finance Authority HOME Rehabilitation Program Internal Audit

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PROCESS IMPROVEMENT OPPORTUNITIES	2
SCOPE AND PROCEDURES PERFORMED	3

New Mexico Mortgage Finance Authority HOME Rehabilitation Program Internal Audit Report

New Mexico Mortgage Finance Authority
Board of Directors

INTRODUCTION

REDW performed the internal audit services described below to assist New Mexico Mortgage Finance Authority (MFA) in evaluating compliance with the HOME Rehabilitation Program policies and program requirements.

Our services were performed in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contractual agreement for internal audit services. Since our procedures were applied to a sample of processes, it is possible that significant issues related to the areas tested may not have been identified. Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

REDW performed internal audit procedures over MFA's processes for complying with the policies and procedures and program requirements of the HOME Rehabilitation Program. Our internal audit focused on adherence to program guidelines, including lead-based paint assessments, environmental reviews, project set-up and completion, allowable costs and subrecipient monitoring. We evaluated monitoring procedures, including timeliness of reviews, adequacy of supporting documentation and approvals, and timely follow-up.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

We identified many areas during the course of the audit where controls were functioning properly and established procedures were followed.

As a result of our testing, we identified the following observation:

1) *Lead-Based Paint Disclosures*

Per MFA's HOME Rehab Program Manual, lead disclosure requirements include a lead pamphlet, lead screening worksheet, lead flowchart and a HUD disclosure form. Our testing determined that two of the four disclosures, the lead flowchart and HUD disclosure form were not being completed or included in project files.

Potential Risk – Low: This is assessed as a low risk as the disclosures that were not being completed were recommended by HUD but not required, and the required lead disclosures, the lead pamphlet and lead screening worksheet were being provided to homeowners and maintained in project files.

Recommendation: MFA should update the HOME Rehab Program Manual to indicate that the lead flowcharts and HUD disclosure forms are recommended but not required. MFA should also update the manual to provide a reference to where the lead flowcharts and HUD disclosure forms can be found for service providers who wish to reference the documents.

Management's Response: Management agrees with the recommendation that the lead flowchart and HUD disclosure form should be referenced in the Manual as recommended but not required for distribution by service providers to customers. A link to both documents will also be available on MFA's website under the HOME Rehab program for ease of use for service providers who wish to reference. The lead flowcharts and HUD disclosure forms do not require a signature from the customer.

PROCESS IMPROVEMENT OPPORTUNITIES

1) *Project Tracking*

Project information, including award amounts, expenditures, etc. are currently tracked using the Award and Expenditures Tracking Sheet (Excel), HOME Database (Access), and the Integrated Disbursement and Information System (IDIS). The use of multiple systems for project tracking leads to duplication of information and causes inefficiencies in the process. MFA should consider using a software that will give them the ability to track and report on all project information in one location.

2) *Review Documentation*

Per HOME Rehab Program procedures, project set-up, completion, and environmental review packets as well as fiscal monitoring tools are to be reviewed and approved by the Assistant Director, Community Development. Our testing determined that evidence of these reviews was not documented or maintained. MFA HOME Rehab personnel have created a draft checklist intended to evidence review of program documents. MFA should finalize the draft checklist and begin utilizing it to evidence review and approval of program steps and documents. The checklist should include the dates when program steps are completed by the subrecipient agency and by MFA. Alternatively, MFA should consider using a software that will give them the ability to perform workflow approvals.

3) *Documentation of Uploads and Submissions*

During testing we determined that the dates when documents are uploaded to HEROES are not documented and are not able to be retrieved from HEROES. We also determined that the dates when restrictive covenant agreements are provided to the servicing department are not documented. MFA HOME Rehab personnel have created a draft checklist intended to evidence review of program documents and document submission dates going forward. MFA should finalize the draft checklist and begin utilizing it to evidence the dates that environmental reviews were uploaded to HEROES and the dates that program documents were submitted to other departments. Alternatively, MFA should consider using a software that will give them the ability to track and report on document upload and submission dates and other program steps.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we interviewed the following personnel:

- Gina Bell, Director of Community Development
- John Garcia, Assistant Director, Community Development
- Amy Gutierrez, Program Manager

In order to gain an understanding of policies and procedures, we read relevant portions of MFA's:

- 2022 HOME Rehab Program Manual last updated June 2022
- 24 CFR Part 35
- 2022 HOME Rehab Performance Agreement & Schedules Template
- 2022 Agency Rehab Monitoring Document Upload Checklist
- 2017 HUD Monitoring Report for HOME

We performed the following procedures:

Lead Based Paint Assessments: We obtained the population of the 2018 HOME funding projects built prior to 1978. From the population of 6 projects, we selected 2 and tested to determine if:

- A qualified and certified Risk Assessment vendor was hired for testing and abatement of lead-based paint;
- A lead-based paint visual assessment was conducted by a HUD-Certified Visual Assessor;
- If potentially dangerous situations were found during the visual inspection, all deteriorated paint surfaces in the dwelling unit, common areas servicing the dwelling unit, and the exterior surfaces of the building in which the dwelling is located were stabilized;
- All required lead-based disclosures were completed including: lead pamphlet, lead requirement screening worksheet, lead flowchart, and HUD's disclosure form; and
- A lead abatement was performed if lead was present.

Environmental Reviews: We obtained the population of the 2018 HOME funding projects. From the population of 12 projects, we selected 4 and tested to determine if:

- The environmental review was completed in accordance with HUD guidelines;
- The MFA Program Manager and subrecipient agency Executive Director reviewed and approved the environmental review packet; and
- The environmental review packet and all supporting documentation was uploaded to HEROES in a timely manner.

Project Set-Up: We obtained a population of 2018 HOME funding projects. From the population of 12 projects, we selected 4 and tested to determine if:

- Prior to the project being funded in IDIS, MFA and the recipient executed the performance agreement;
- Prior to work beginning the lead-based paint assessment and the environmental review packet were submitted to HEROES;
- Prior to work beginning the restrictive covenant agreement documents were signed and notarized;
- Prior to work beginning the project acceptance notice letter (PAN) was signed by MFA and the subrecipient agency;
- The Executive Director of the subrecipient agency reviewed and approved the rehab project set-up packet;
- Prior to the rehab project set-up packet being sent to accounting the MFA Program Manager and Assistant Director- Community Development approved the packet; and
- The project set-up process was processed timely.

Subrecipient Monitoring: We obtained a population of subrecipient agencies with 2018 HOME funding. From the population of 7 projects, we selected 2 and tested to determine if:

- For the years 2019-2021 MFA completed an annual risk assessment of the agency;
- For the years 2019-2021 MFA performed annual monitoring of the agency;
- The annual risk assessment matched the monitoring that was performed for the agency;
- Income verifications were being performed correctly as verified by MFA;
- Appropriate documentation of monitoring activities and income verifications was maintained by MFA; and
- MFA performed the sam.gov search for each agency and maintained proper documentation of the search results in each agency's file to ensure they were not on the restricted participation list.

Invoicing/Allowable Costs: We obtained a population of 2018 HOME funding projects. From the population of 12 projects, we selected 4 projects and 5 invoices within each project (for a total of 20 invoices) and tested to determine if:

- Prior to any expenditure an environmental review was completed;
- Costs charged to each project were allowable;
- The project did not exceed more than six months without activity;
- Expenses were being properly tracked by home;
- Documentation supporting the costs were maintained;
- Progress inspection sheets and field inspection reports complete with photos were submitted with final request for reimbursement;
- A copy of the printed sam.gov search for the contract was included with the request for reimbursement; an
- Assistant Director- Community Development at MFA reviewed and approved the fiscal monitoring tool.

Project Completion: We obtained a listing of HOME Rehab projects completed in the last 6 months. From the population of 7 projects, we selected 2 and tested to determine if:

- A HOME completion form/report and final request for reimbursement were submitted by the subrecipient agency;
- Copies of authorized change orders were provided (if applicable);
- Release of liens were provided by contractors and subcontractors;
- The land use restrictive agreement was submitted to the MFA servicing department in a timely manner;
- The project completion packet was reviewed and approved by the Assistant Director, Community Development; and
- The project completion process was completed in a timely manner.

Program Manual: We obtained the 2022 HOME Rehab Program Manual and tested to determine if the manual included required provisions for:

- Execution of written agreements, prior to project funding;
- Lead-based paint testing and notification;
- Program income per 24 CRF 92.504;
- Consultant Activities per 24 CRF Part 92.358; and
- The Violence Against Women Act per 24 CRF Part 92.359

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This report is intended solely for the information and use of MFA management, the finance committee, members of the Board and others within the organization. If additional procedures had been performed, other matters might have come to our attention that would have been reported to you.

We would be pleased to meet with you to discuss our observations and answer any questions. We discussed and resolved other minor observations with management. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
September 30, 2022

Tab 4



New Mexico Mortgage Finance Authority
Sub-Servicing Oversight Internal Audit

June 2022

New Mexico Mortgage Finance Authority Sub-Servicing Oversight Internal Audit

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New Mexico Mortgage Finance Authority Sub-Servicing Oversight Internal Audit

Report

New Mexico Mortgage Finance Authority
Board of Directors

INTRODUCTION

REDW performed the internal audit services described below to assist the New Mexico Mortgage Finance Authority (MFA) in evaluating oversight procedures performed over the loan servicing activities provided by their sub-servicer Idaho Housing and Finance Association (IHFA).

Our services were performed in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contractual agreement for internal audit services. Since our procedures were applied to a sample of processes, it is possible that significant issues related to the areas tested may not have been identified. Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

REDW assessed documentation IHFA provides to MFA for monitoring. Our procedures focused on reviewing quality assessment reports which were provided by IHFA to MFA to assist MFA in their oversight of IHFA's loan servicing activities. We evaluated timeliness of monitoring, adequacy of sample sizes, and effectiveness of IHFA reporting.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

MFA has worked closely with IHFA to improve the documentation and reporting that IHFA provides to MFA which has allowed MFA to have better oversight of IHFA and the outsourced processes.

As a result of our testing, REDW did not identify any reportable observations related to MFA's oversight of IHFA.

PROCESS IMPROVEMENT OPPORTUNITY

1) IHFA Monitoring Enhancements

To monitor IHFA's loan servicing activities, MFA receives and reviews three types of monthly quality assessment reports from IHFA. We recommend the following to enhance oversight of IHFA:

- Details were not included about the tests IHFA performed, the exceptions that were found, or the steps IHFA took to resolve the exception. MFA should consider requesting additional documentation from IHFA on what the exception was as well as the resolution.
- IHFA does not report total populations or sampling methodologies to ensure MFA can verify if an adequate level of testing was done on a representative population. MFA should consider requesting IHFA modify the reporting to include this level of detail.
- Loan servicing areas were aggregated in the reports (such as escrow and mortgage insurance premiums) or missing from the reports (such as credit bureau reporting, record maintenance), affecting MFA's ability to monitor those areas effectively. MFA should work with IHFA to separate out and add these areas into distinct line items in the reporting to ensure MFA can verify all testing was done.
- Reports were not published and provided to MFA in time for MFA to complete timely oversight. The October and November 2021 quality assessments were published in February and March 2022, respectively. MFA should determine if these timelines are reasonable or if improvements need to be made to the timelines.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the monitoring processes over IHFA, we interviewed the following personnel:

- Teresa Lloyd - Director of Servicing, MFA
- Blanca Vasquez- Assistant Director of Servicing, MFA
- Joleen Stevens - Sub-Servicing Oversight Specialist, MFA
- Representatives from IHFA

In order to gain an understanding of policies and procedures, we read relevant portions of:

- IHFA’s Loan Servicing Guidance Plan last updated December 2020
- FHA’s COVID-19 Recovery Loss Mitigation Options Mortgagee Letter last updated September 2021
- FHA’s COVID-19 Loss Mitigation Policy Mortgagee Letter last updated June 2021
- FHA’s Single Family Housing Policy Handbook last updated October 2019

We performed the following procedures:

Quality Assessments: Obtained monthly QA Reviews for October and November 2021 provided by the subservicer to determine if the assessments addressed all areas MFA deemed important for loan servicing and any findings were followed up on timely.

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This report is intended solely for the information and use of MFA management, the finance committee, members of the Board and others within the organization. If additional procedures had been performed, other matters might have come to our attention that would have been reported to you.

We would be pleased to meet with you to discuss our observations and answer any questions. We discussed and resolved other minor observations with management. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
September 16, 2022

Tab 5



New Mexico Mortgage Finance Authority
Vendor Management Internal Audit

August 2022

New Mexico Mortgage Finance Authority Vendor Management Internal Audit

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New Mexico Mortgage Finance Authority

Vendor Management

Internal Audit

Report

New Mexico Mortgage Finance Authority
Board of Directors

INTRODUCTION

REDW performed the internal audit services described below to assist New Mexico Mortgage Finance Authority (MFA) in evaluating compliance with Vendor Management policies and procedures.

Our services were performed in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contractual agreement for internal audit services. Since our procedures were applied to a sample of processes, it is possible that significant issues related to the areas tested may not have been identified. Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

REDW performed an internal audit over MFA's Vendor Management policies and procedures. Our internal audit focused on MFA's processes for performing due diligence, risk assessments, and monitoring of vendors covered under the Vendor Management policy.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

REDW observed many areas during the course of the audit where controls were functioning properly, and established procedures were followed. Our testing determined that monitoring was completed timely, appropriate risk factors were considered and risk ratings were properly assigned.

As a result of our testing, we did not identify any reportable observations.

PROCESS IMPROVEMENT OPPORTUNITIES

1) *Due Diligence Review Documentation*

Documentation of the due diligence procedures performed when selecting vendors was not maintained by the Compliance Manager as the initial due diligence was performed by the MFA department contracting the vendor's services. Consider updating the Vendor Management policy to include documentation on the initial due diligence process. Documentation of due diligence procedures performed should be provided to the Compliance Manager by the departments to ensure that proper due diligence was performed and documentation of those procedures is maintained.

2) *Desktop Procedures*

Detailed risk assessment procedures are not documented and therefore not available as a reference for the Compliance Manager's successor or backup. MFA should create a desktop manual detailing the procedures performed by the Compliance Manager to ensure that knowledge gained from performing the risk assessment process is not lost.

3) *Vendor Ratings*

Vendor risk ratings appear to be over assessed as risk rating calculations do not account for risk reducing factors such as compensating controls or compliance history. MFA should consider adjusting the vendor risk rating calculations to account for a reduction of risk if there are compensating controls or other risk reducing factors present to ensure that vendor risk is accurately assessed and only necessary monitoring is performed.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we interviewed the following personnel:

- Julie Halbig, Director of Compliance and Initiatives

In order to gain an understanding of policies and procedures, we read relevant portions of MFA's:

- Vendor Management and Compliance Management System Policies and Procedures last updated July 2022
- Risk Assessment Standards last updated February 2016

We performed the following procedures:

Due Diligence Review – We obtained a listing of all vendors covered under the Vendor Management policy as of August 2022. From the listing of 28 covered vendors, we identified 3 new vendors added in 2022. We selected 1, and tested to determine if:

- Timely due diligence review was performed;
- Major risk factors per the Vendor Management policy were considered;

- The vendor contract set clear compliance expectations and included consequences for violating compliance-related responsibilities;
- The vendor contract included the right to conduct on-site compliance audits;
- The vendor contract included notification requirements in the event of alleged consumer harm or federal non-compliance;
- The new vendor was added to the Vendor Risk Assessment master listing; and
- The rating assigned to the new vendor was appropriate given the information provided and the vendors credentials/qualifications/risk factors.

In addition, we evaluated draft procedures for identification and notification of new vendors to the Compliance Manager to ensure timely due diligence review of vendors covered under the Vendor Management Policy.

Risk Assessment – We obtained a listing of vendor risk assessments completed within the last two years and compared to the master listing above to determine if the risk assessment listing was complete. From the listing of 25 completed risk assessments, we selected 3 (1 at each risk level – low, moderate, high) and tested to determine if:

- Major risk factors per the Vendor Management policy were considered;
- MFA’s assessed risk level was calculated correctly; and
- MFA’s assessed risk level was appropriate given the vendor’s risk factors and compensating controls.

Monitoring – For the sample of risk assessments above, we obtained the Vendor Examination Records and tested to determine if:

- Monitoring was conducted timely based on the examination standards in the Vendor Management Policy;
- Monitoring was completed in the quarter identified in the Vendor Risk Assessment master listing;
- The proper level of monitoring was completed, including all required items in the vendor examination record;
- All required documents were obtained to perform the monitoring; and
- If any issues were identified through monitoring, MFA took prompt corrective action, including termination of the relationship.

* * * * *

This report is intended solely for the information and use of MFA management, the finance committee, members of the Board and others within the organization. If additional procedures had been performed, other matters might have come to our attention that would have been reported to you.

We would be pleased to meet with you to discuss our observations and answer any questions. We discussed and resolved other minor observations with management. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
September 30, 2022

Tab 6

New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

September 30, 2022

Unaudited

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the fiscal year ended September 30, 2022

COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):		12 months 9/30/2022	12 months 9/30/2021	% Change Year / Year	Forecast 9/30/2022	Actual to Forecast	Forecast/Target 9/30/22
PRODUCTION							
1	Single family issues (new money):	\$390.0	\$233.0	67.4%	\$390.0	0.0%	\$376.0
2	Single family loans sold (TBA):	\$83.7	\$327.0	-74.4%	\$83.7	0.0%	\$94.0
3	Total Single Family Production	\$473.7	\$560.0	-15.4%	\$473.7	0.0%	\$470.0
4	Multifamily issues (new money):	\$24.0	\$0.0	0.0%	\$24.0	0.0%	\$57.0
5	Single Family Bond MBS Payoffs:	\$146.6	\$165.8	-11.5%	\$165.2	-11.3%	\$165.2
STATEMENT OF NET POSITION							
6	Avg. earning assets:	\$1,567.0	\$1,450.8	8.0%	\$1,611.1	-2.7%	\$1,611.1
7	General Fund Cash and Securities:	\$91.9	\$102.0	-9.9%	\$95.4	-3.6%	\$95.4
8	General Fund SIC FMV Adj.:	(\$4.0)	\$4.3	-192.1%	\$0.0	N/A	\$0.0
9	Total bonds outstanding:	\$1,393.9	\$1,161.3	20.0%	\$1,429.1	-2.5%	\$1,429.1
STATEMENT OF REVENUES, EXPENSES AND NET POSITION							
10	General Fund expenses (excluding capitalized assets):	\$25.6	\$23.3	9.9%	\$25.9	-1.2%	\$25.9
11	General Fund revenues:	\$27.5	\$43.8	-37.2%	\$29.0	-5.2%	\$29.0
12	Combined net revenues (all funds):	\$0.2	\$22.6	-99.0%	(\$1.1)	119.8%	(\$1.1)
13	Combined net revenues excluding SIC FMV Adj. (all funds):	\$6.3	\$18.3	-65.3%	(\$1.1)	-676.1%	(\$1.1)
14	Combined net position:	\$286.1	\$285.9	0.1%	\$284.8	0.5%	\$284.8
15	Combined return on avg. earning assets:	0.01%	1.56%	-99.1%	-0.07%	119.9%	-0.07%
16	Combined return on avg. earning assets excluding SIC FMV Adj. (all funds):	0.40%	1.26%	-67.9%	-0.07%	677.7%	-0.07%
17	Net TBA profitability:	0.31%	2.19%	-85.8%	0.17%	82.4%	0.17%
18	Combined interest margin:	0.55%	0.62%	-11.1%	0.44%	24.5%	0.44%
MOODY'S BENCHMARKS							
19	Net Asset to debt ratio (5-yr avg):	26.05%	28.53%	-8.7%	26.03%	0.1%	26.03%
20	Net rev as a % of total rev (5-yr avg):	11.07%	13.20%	-16.2%	10.69%	3.5%	10.69%
SERVICING							
21	Subserviced portfolio	\$1,900.9	\$1,720.8	10.5%	\$2,025.2	-6.1%	\$2,025.2
22	Servicing Yield (subserviced portfolio)	0.41%	0.41%	0.0%	0.41%	0.0%	0.41%
23	Combined average delinquency rate (MFA serviced)	8.03%	8.01%	0.2%	9.00%	-10.8%	9.00%
24	DPA loan delinquency rate (all)	7.80%	7.76%	0.5%	N/A	N/A	N/A
25	Default rate (MFA serviced-annualized)	0.80%	0.65%	23.1%	1.30%	-38.5%	1.30%
26	Subserviced portfolio delinquency rate (first mortgages)	10.48%	13.35%	-21.5%	N/A	N/A	N/A
27	Purchased Servicing Rights Valuation Change (as of 9/30/22)	\$11.5	\$3.6	219.4%	N/A	N/A	N/A

Legend:

Positive Trend	Caution	Negative Trend	Known Trend/Immaterial
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NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the fiscal year ended September 30, 2022

SUMMARY OF BOND ISSUES:Single Family Issues:

\$99.99 mm Series 2021D (November)
 \$100.00 mm Series 2022A (February)
 \$90.00 mm Series 2022C (May)
 \$99.99 mm Series 2022D (August)

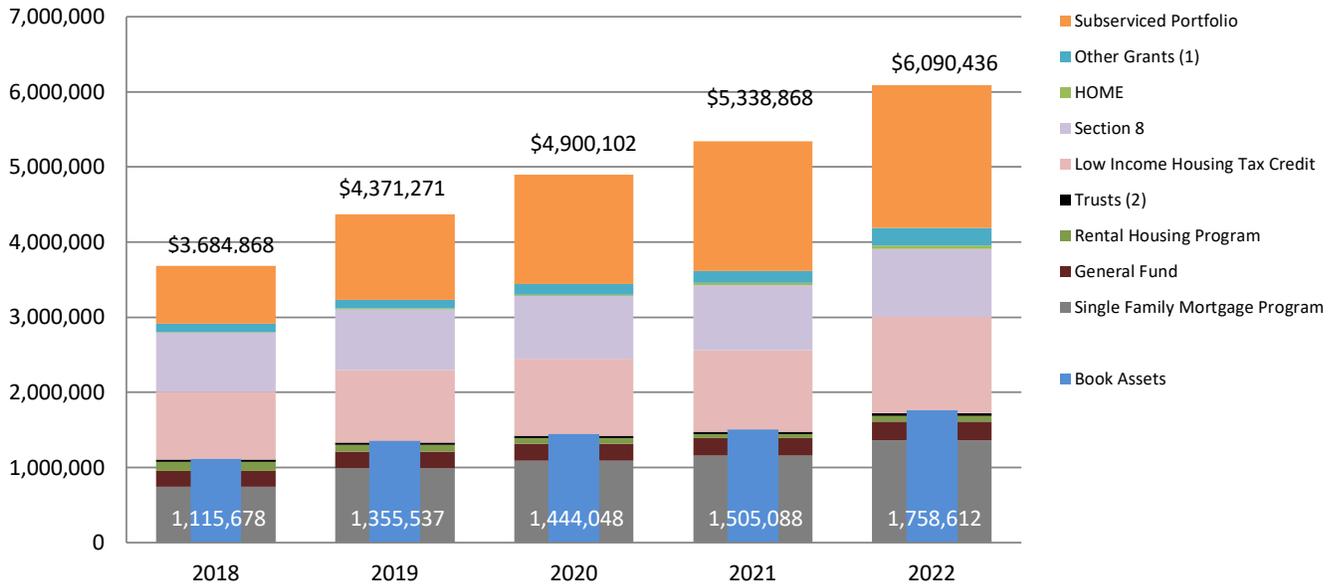
Multi-family Issues:

\$11.0 mm Series 2021 JLG Central (October)
 \$13.0 mm Series 2022 Vista Mesa Villa Apartments Project (June)

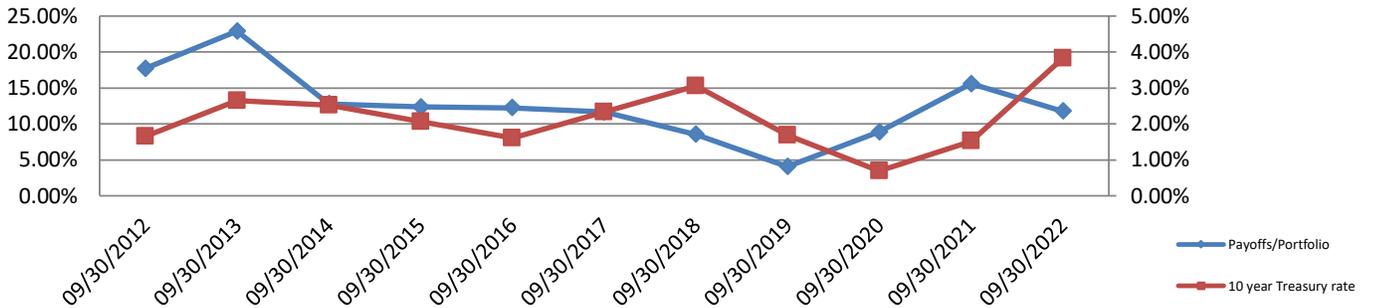
CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

- The single-family production has decreased by 15.4% from last year due to headwinds from rising home prices, climbing mortgage rates, and high inflation. TBA loans sold to date were 74.4% lower than last year since the execution of the bonds was more favorable than the FY21. The issuance of bonds is currently producing a lower mortgage rate than the sales of loans to the TBA market. As a result, MFA is likely to lean more heavily toward bond financing and continue to use the TBA market where appropriate. MFA issued the 2021D Series for \$99.9 million in November, the 2022 A Series for \$100.00 mm in February 2022, the 2022 C Series bond for \$90 mm in May, and the 2022 D Series bond for \$99.9 was closed on August 18. MFA also issued Series B refunding for \$33.5 million in February. Payoffs slowed by 11.5% due to rising mortgage rates discouraging homeowners from refinancing their loans.
- The multifamily JLG Central bond issue closed in October for \$11 million. The bond issue for the Vista Mesa Villa Apartments project for \$13m was closed on June 29. The EMLI at Wells of Artesia project for \$33m closed on July 28 as a governmental note instead of a bond and will not be included in MFA financials as it is considered conduit debt.
- In a year of activities, the Return on Average earnings assets was 0.01% which is lower than last year because of an award made to the Homeowner Assistance Fund (HAF) program from the NM Housing Trust Fund on consolidated revenues (\$1.1m), the Cost of Issuance of bonds (\$3.8m) and YTD SIC Investments losses (\$6.1m) and lower TBA loan production curtailing immediate recognition of revenue, has affected general fund revenues and Moody's net revenue benchmark.
- The General Fund expenses increased by 9.9% due to increased compensation, technology system, and services contract for the HAF program, and increased purchase of Mortgage Servicing Rights (MSR), while the General Fund revenue decreased by 37.2% due to administrative fee income from selling loans to the TBA market significantly lower compared to last year. The State Investment Council (SIC) General Fund portfolio valuation decreased by \$4.0m. While the investment losses are non-operational, they impact General Fund revenues, combined net revenues, and Return on Average Earning Assets.
- The combined interest margin of 0.52% decreased from the FY21 year-end mark of 0.62% due to lower income from interest on loans and investments. The interest income is lower as some of the MBS portfolios acquired earlier in the year have lower interest rates and faster prepayments as borrowers refinanced when the mortgage rates were lower. Also, we had some of the large multifamily loans paid off during the year which reduced the interest from multifamily loans.
- Based on Moody's issuer credit rating scorecard, MFA's 26.05% net asset to debt ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA's creditworthiness under stressful circumstances (> 20%). The net revenue as a percent of total revenue measures performance and profitability. We take caution as MFA's 11.07% ratio (5-year average) is within the lower end of the range (10-15%) because of varied reasons, including board-approved award made through NMHTF for the emergency roofing repair program, cost of issuance of bonds, decreased FMV of SIC investments, lower TBA profitability resulting from market changes and increased expense in the purchase of Mortgage Servicing Rights (MSR).
- Moody's Investor Services completed an updated credit opinion on MFA's Issuer Rating in June 2020. They reaffirmed the Aa3/stable rating. Comments included high asset-to-debt ratio, good profitability, and low-risk profile due to mortgage-backed security structure, multifamily Risk Sharing Program, and no exposure to variable-rate debt. Additionally, Moody's reaffirmed the Aaa/stable rating on the single-family indenture in April 2021, noting a growing asset to debt ratio and stabilizing profitability.
- The Servicing Department monitors delinquencies and defaults to identify reduction strategies and refer borrowers to available loss mitigation programs. Sub-serviced Portfolio delinquency rate is 10.48%. The sub-serviced portfolio is approximately 85% FHA-insured loans. The Mortgage Bankers Association quarterly survey as of June 30, 2022, indicates that the delinquency rate for FHA loans nationally is 8.85%, and for New Mexico is 7.25%. FHA Single Family Loan Performance Trends for August 2022 showed 13.65% delinquency (for purchase loans only), which increased from 13.26% in June 2022.
- The fair market value for purchased servicing rights as of September 2022 is \$29.8 million, an increase of about \$11.5 million over cost. GASB requires MFA to record the value of servicing rights at the 'lower of cost or market'. A steady increase over the last three quarters in FMV related to decreased prepayment speed projections and increased earnings rates impacted portfolio value positively. The current recorded cost of the asset is \$18.2 million. Valuations are obtained every quarter.

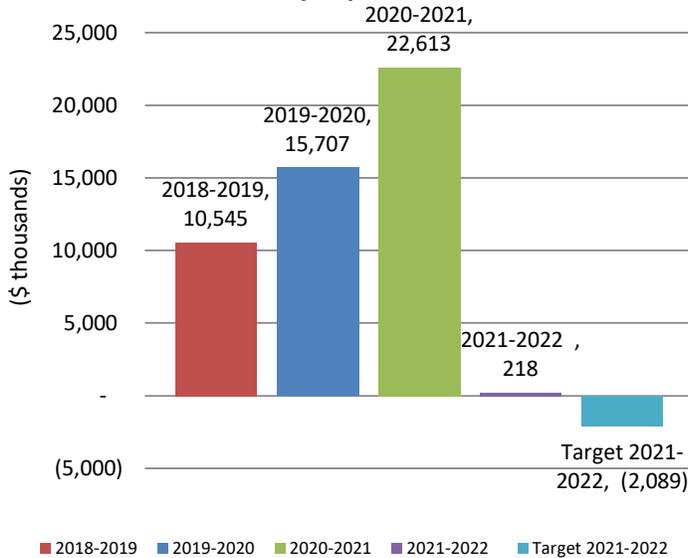
Assets Under Management as of 9/30/2022 (\$ in thousands)



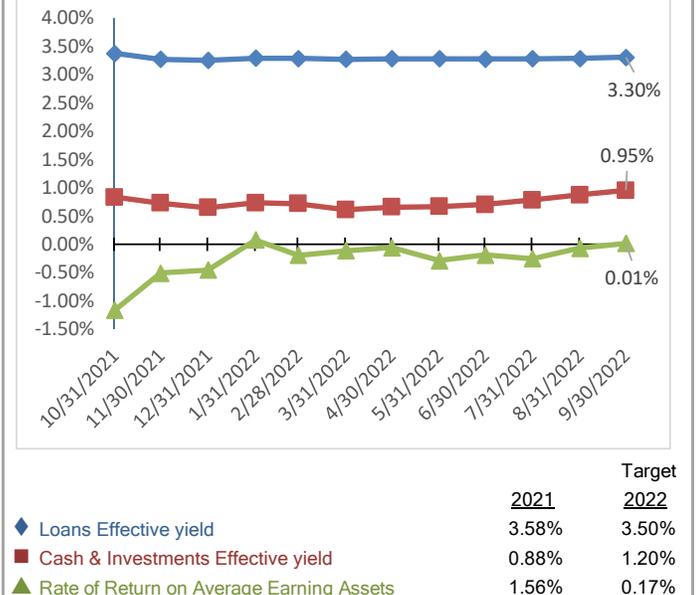
YTD Annualized Payoffs as a Percentage of Single Family Mortgage Portfolio as of 9/30/2022



YTD Excess Revenues over Expenses as of 9/30/2022

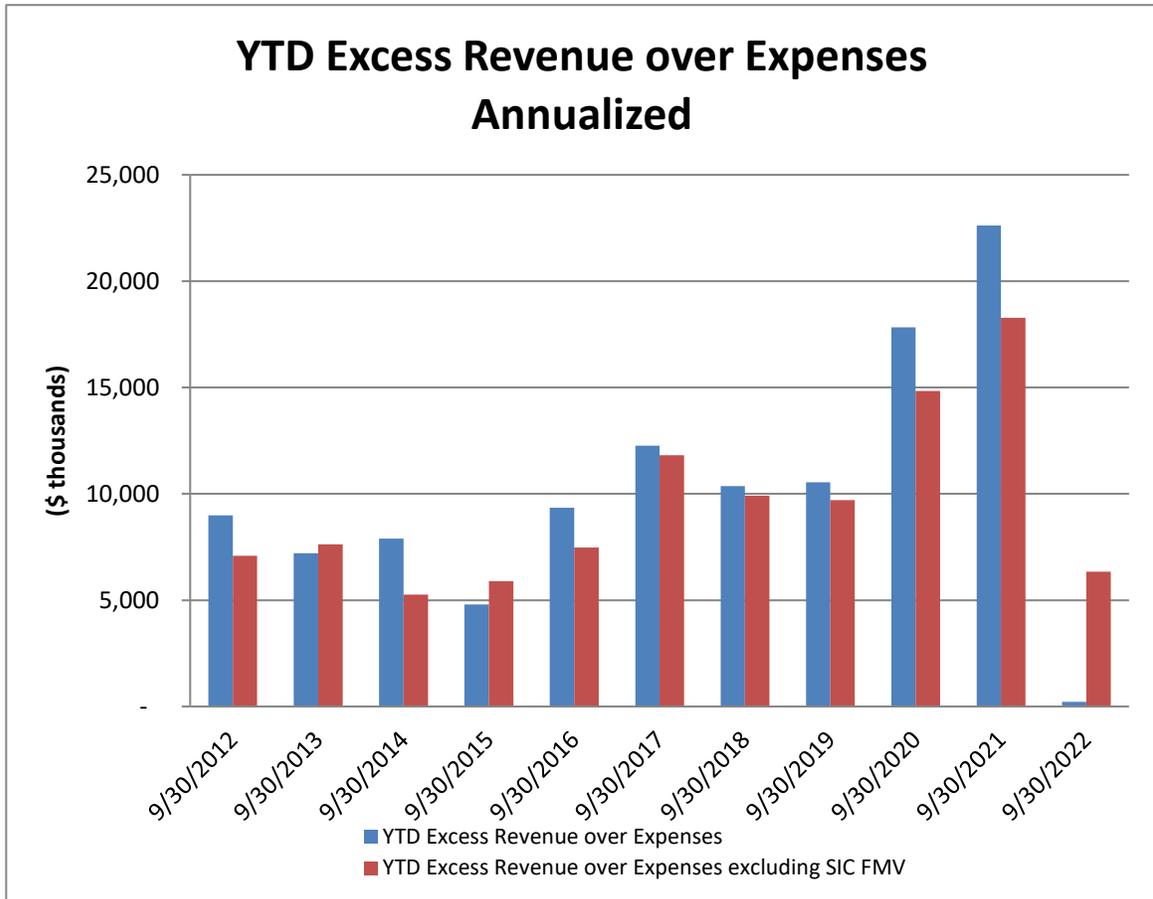
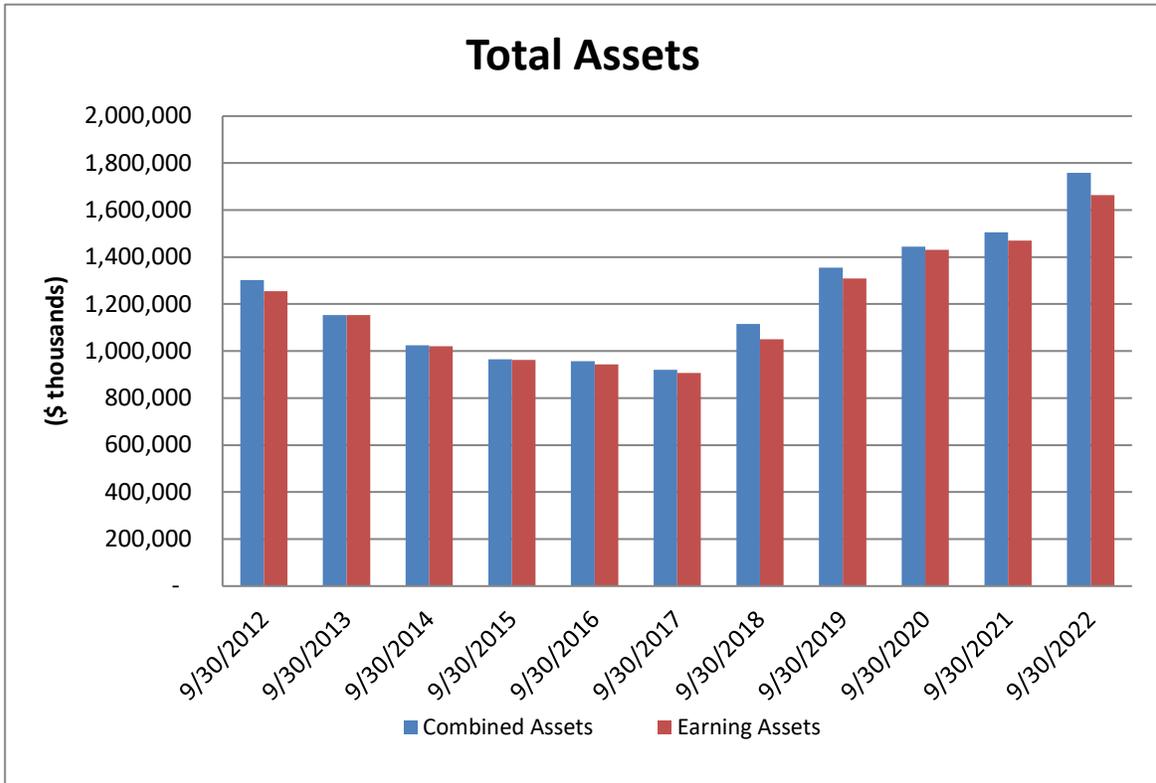


Yield Targets 9/30/2022

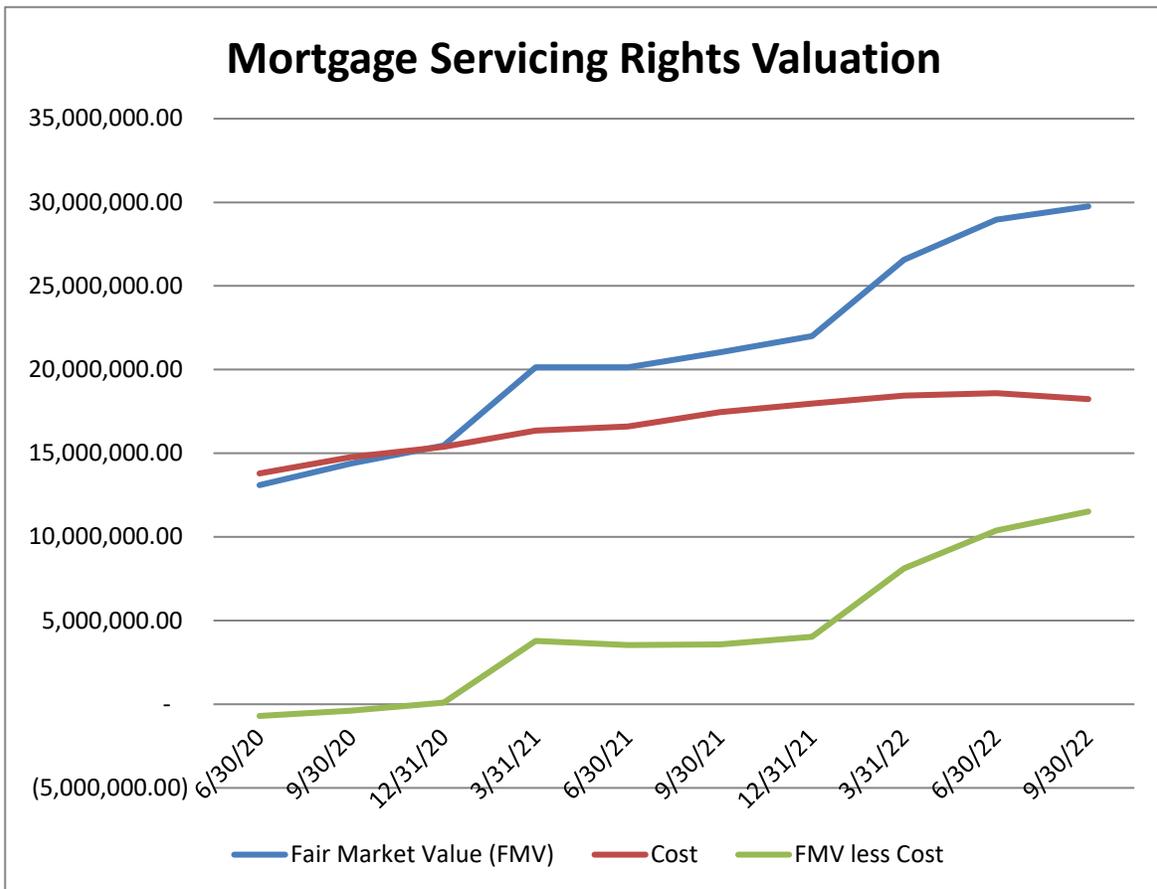
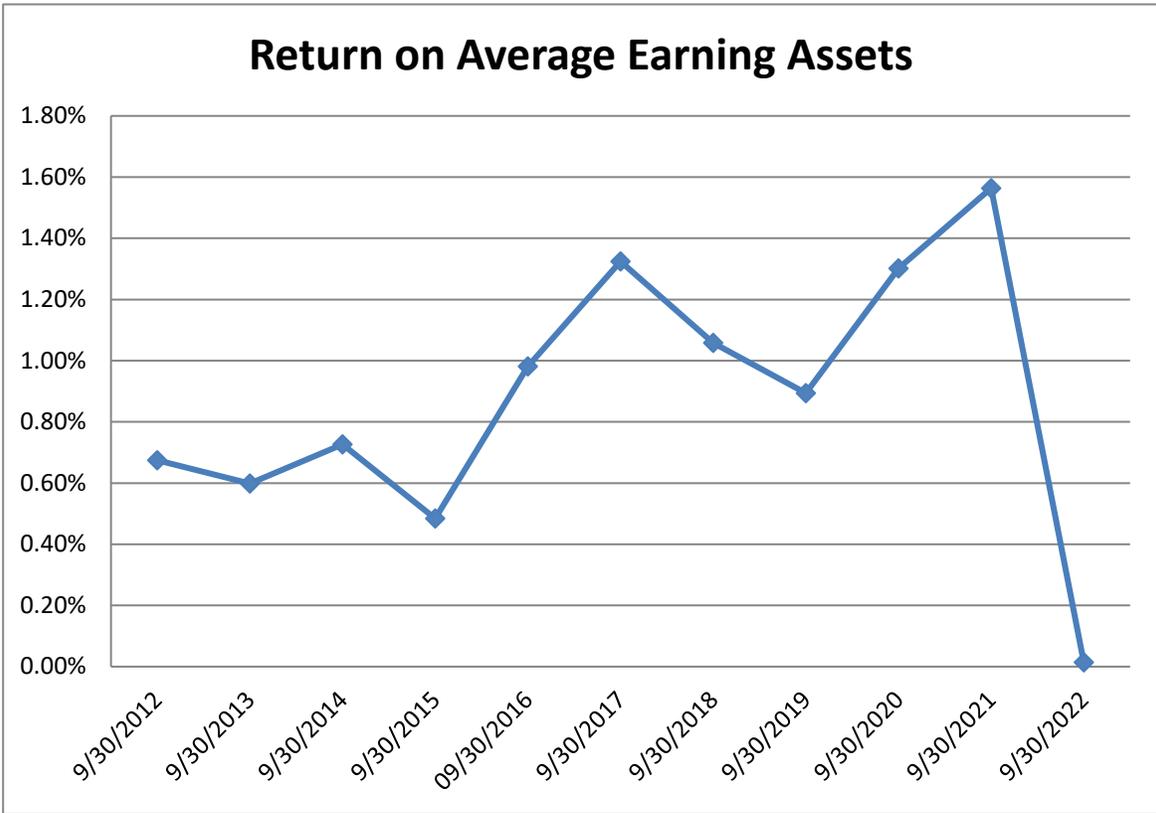


(1) Weatherization Assistance Programs; Emergency Shelter Grant; State Homeless; Housing Opportunities for People With Aids; NM State Tax Credit; Governor's Innovations; EnergySaver; Tax Credit Assistance Program; Tax Credit Exchange; Neighborhood Stabilization Program; Section 811 PRA; Homeownership Preservation Program (2) NM Affordable Housing Charitable Trust Fund; Land Title Trust Fund; Housing Trust Fund

QUARTERLY FINANCIAL GRAPHS



QUARTERLY FINANCIAL GRAPHS



NEW MEXICO MORTGAGE FINANCE AUTHORITY
 COMBINED STATEMENT OF NET POSITION
 SEPTEMBER 2022
 (THOUSANDS OF DOLLARS)

	<u>YTD 09/30/22</u>	<u>YTD 09/30/21</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$44,588	\$51,927
RESTRICTED CASH HELD IN ESCROW	9,782	9,135
SHORT-TERM INVESTMENTS	-	-
ACCRUED INTEREST RECEIVABLE	4,700	4,153
OTHER CURRENT ASSETS	5,648	6,499
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	0	0
TOTAL CURRENT ASSETS	<u>64,718</u>	<u>71,714</u>
CASH - RESTRICTED	147,084	96,428
LONG-TERM & RESTRICTED INVESTMENTS	63,103	69,380
INVESTMENTS IN RESERVE FUNDS	11,001	-
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,216,737	1,057,876
MORTGAGE LOANS RECEIVABLE	244,130	196,493
ALLOWANCE FOR LOAN LOSSES	(10,131)	(8,471)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,793	1,912
OTHER REAL ESTATE OWNED, NET	1,597	2,278
OTHER NON-CURRENT ASSETS	14	-
INTANGIBLE ASSETS	18,379	17,477
TOTAL ASSETS	<u>1,758,425</u>	<u>1,505,088</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	187	202
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>1,758,612</u>	<u>1,505,290</u>
<u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$7,837	\$7,250
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	29,534	14,750
ESCROW DEPOSITS & RESERVES	9,650	9,005
TOTAL CURRENT LIABILITIES	<u>47,021</u>	<u>31,005</u>
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,393,930	1,161,309
MORTGAGE & NOTES PAYABLE	31,053	26,941
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	214	135
TOTAL LIABILITIES	<u>1,472,217</u>	<u>1,219,390</u>
DEFERRED INFLOWS	277	-
TOTAL LIAB/DEFERRED INFLOWS	<u>1,472,494</u>	<u>1,219,390</u>
<u>NET POSITION:</u>		
NET INVESTED IN CAPITAL ASSETS	1,793	1,912
UNAPPROPRIATED NET POSITION (NOTE 1)	62,610	69,038
APPROPRIATED NET POSITION (NOTE 1)	221,715	214,949
TOTAL NET POSITION	<u>286,118</u>	<u>285,900</u>
TOTAL LIABILITIES & NET POSITION	<u>1,758,612</u>	<u>1,505,290</u>

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NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 2022
(THOUSANDS OF DOLLARS)

	<u>YTD 09/30/22</u>	<u>YTD 09/30/21</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$44,648	\$44,280
INTEREST ON INVESTMENTS & SECURITIES	2,315	1,678
LOAN & COMMITMENT FEES	3,521	2,393
ADMINISTRATIVE FEE INCOME (EXP)	6,321	16,922
RTC, RISK SHARING & GUARANTY INCOME	398	107
HOUSING PROGRAM INCOME	1,871	1,256
LOAN SERVICING INCOME	10,244	7,945
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	<u>69,318</u>	<u>74,581</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	(5,747)	5,551
OTHER NON-OPERATING INCOME	117	25
GRANT AWARD INCOME	68,184	90,804
SUBTOTAL NON-OPERATING REVENUES	<u>62,555</u>	<u>96,380</u>
TOTAL REVENUES	<u>131,873</u>	<u>170,962</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	22,007	20,069
INTEREST EXPENSE	38,326	36,963
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(3,237)	(3,029)
PROVISION FOR LOAN LOSSES	496	65
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	155	134
AMORT. OF SERV. RIGHTS & DEPRECIATION	2,767	2,961
BOND COST OF ISSUANCE	3,765	2,139
SUBTOTAL OPERATING EXPENSES	<u>64,281</u>	<u>59,301</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	233	462
GRANT AWARD EXPENSE	67,141	88,343
OTHER NON-OPERATING EXPENSE	-	243
SUBTOTAL NON-OPERATING EXPENSES	<u>67,374</u>	<u>89,048</u>
TOTAL EXPENSES	<u>131,655</u>	<u>148,349</u>
NET REVENUES	218	22,613
OTHER FINANCING SOURCES (USES)	-	(0)
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>218</u>	<u>22,613</u>
NET POSITION AT BEGINNING OF YEAR	<u>285,900</u>	<u>263,288</u>
NET POSITION AT 09/30/22	<u>286,118</u>	<u>285,900</u>

NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(in Thousands of Dollars)

(Note 1) MFA Net Position as of September 30, 2022:

UNAPPROPRIATED NET POSITION:

\$ 26,712	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 35,015	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 884	is held for New Mexico Affordable Housing Charitable Trust.
\$ 62,610	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:

\$ 117,129	for use in the Housing Opportunity Fund (\$106,351 in loans plus \$10,779 unfunded, of which \$4,076 is committed).
\$ 34,322	for future use in Single Family & Multi-Family housing programs.
\$ 1,122	for loss exposure on Risk Sharing loans.
\$ 1,793	invested in capital assets, net of related debt.
\$ 18,262	invested in mortgage servicing rights.
\$ 31,681	for the future General Fund Budget year ending 09/30/23
<u>\$ 204,309</u>	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

\$ 19,200	for use in the federal and state housing programs administered by MFA.
<u>\$ 19,200</u>	Subtotal - Housing Program
\$ 223,509	Total Appropriated Net Position
<u>\$ 286,118</u>	Total Combined Net Position at September 30, 2022

Total combined Net Position, or reserves, at September 30, 2022 was \$286.1 million, of which \$62.6 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$223.5 million of available reserves, with \$91.9 million primarily liquid in the General Fund and in the federal and state Housing programs and \$131.6 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 2021-2022 Budget
For the twelve months ended 9/30/2022

	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 %
Interest Income	721,874	7,029,099	7,444,257	7,444,257	415,158	415,158	94.42%
Interest on Investments & Securities	145,287	1,322,631	1,184,614	1,184,614	(138,017)	(138,017)	111.65%
Loan & Commitment Fees	13,587	196,549	182,537	182,537	(14,012)	(14,012)	107.68%
Administrative Fee Income (Exp)	707,952	10,089,092	10,480,358	10,480,358	391,266	391,266	96.27%
Risk Sharing/Guaranty/RTC fees	843	390,629	83,207	83,207	(307,422)	(307,422)	469.47%
Housing Program Income	43,757	1,871,254	1,332,863	1,332,863	(538,391)	(538,391)	140.39%
Loan Servicing Income	1,848,571	10,243,776	8,329,639	8,329,639	(1,914,137)	(1,914,137)	122.98%
Other Operating Income			-	-	-	-	
Operating Revenues	3,481,870	31,143,031	29,037,475	29,037,475	(2,105,556)	(2,105,556)	107.25%
Gain (Loss) Asset Sale/Debt Ex	(646,380)	(3,621,634)	-	-	3,621,634	3,621,634	
Other Non-operating Income	20	557	100	100	(457)	(457)	557.38%
Non-Operating Revenues	(646,360)	(3,621,077)	100	100	3,621,177	3,621,177	-3621076.81%
Revenue	2,835,509	27,521,954	29,037,575	29,037,575	1,515,621	1,515,621	94.78%
Salaries	881,929	6,840,203	7,205,901	7,205,901	365,697	365,697	94.93%
Overtime	2,285	15,140	30,051	30,051	14,911	14,911	50.38%
Incentives	109,174	562,393	604,381	604,381	41,988	41,988	93.05%
Payroll taxes, Employee Benefits	333,182	3,019,179	3,580,904	3,580,904	561,725	561,725	84.31%
Compensation	1,326,570	10,436,916	11,421,237	11,421,237	984,321	984,321	91.38%
Business Meals Expense	310	2,179	4,870	4,870	2,691	2,691	44.74%
Public Information	70,228	191,008	366,875	366,875	175,867	175,867	52.06%
In-State Travel	7,068	51,985	131,412	131,412	79,427	79,427	39.56%
Out-of-State Travel	9,554	65,569	188,834	188,834	123,265	123,265	34.72%
Travel & Public Information	87,159	310,741	691,991	691,991	381,250	381,250	44.91%
Utilities/Property Taxes	7,018	81,730	76,311	76,311	(5,419)	(5,419)	107.10%
Insurance, Property & Liability	19,501	193,113	204,194	204,194	11,081	11,081	94.57%
Repairs, Maintenance & Leases	174,236	1,573,084	1,285,715	1,285,715	(287,369)	(287,369)	122.35%
Supplies	3,043	26,768	38,200	38,200	11,432	11,432	70.07%
Postage/Express mail	4,011	54,197	55,000	55,000	803	803	98.54%
Telephone	1,637	7,970	22,701	22,701	14,731	14,731	35.11%
Janitorial	3,760	38,737	36,500	36,500	(2,237)	(2,237)	106.13%
Office Expenses	212,709	1,966,930	1,715,542	1,715,542	(251,388)	(251,388)	114.65%
Dues & Periodicals	2,509	50,463	58,020	58,020	7,557	7,557	86.97%
Education & Training	6,180	86,562	149,859	149,859	63,297	63,297	57.76%
Contractual Services	232,992	1,281,147	1,673,004	1,673,004	391,857	391,857	76.58%
Professional Services-Program	11,314	74,590	68,400	68,400	(6,190)	(6,190)	109.05%
Direct Servicing Expenses	1,132,245	7,458,561	5,769,601	5,769,601	(1,688,960)	(1,688,960)	129.27%
Program Expense-Other	8,447	47,087	63,019	63,019	15,932	15,932	74.72%
Rebate Analysis Fees			-	-	-	-	
Other Operating Expense	1,393,686	8,998,410	7,781,903	7,781,903	(1,216,507)	(1,216,507)	115.63%
Interest Expense	46,009	191,249	417,824	417,824	226,575	226,575	45.77%

GENERAL FUND
Fiscal Year 2021-2022 Budget
For the twelve months ended 9/30/2022

	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 %
Non-Cash Expenses	500,188	3,261,941	3,382,254	3,382,254	120,313	120,313	96.44%
Expensed Assets	10,449	184,313	119,850	119,850	(64,463)	(64,463)	153.79%
Operating Expenses	3,576,771	25,350,500	25,530,602	25,530,602	180,102	180,102	99.29%
Program Training & Tech Asst	9,245	81,137	164,900	164,900	83,763	83,763	49.20%
Program Development	5,239	151,760	204,502	204,502	52,742	52,742	74.21%
Capacity Building Costs	14,483	232,897	369,402	369,402	136,505	136,505	63.05%
Non-Operating Expenses	14,483	232,897	369,402	369,402	136,505	136,505	63.05%
Expenses	3,591,254	25,583,396	25,900,004	25,900,004	316,607	316,607	98.78%
Excess Revenue over Expenses	(755,745)	1,938,558	3,137,571	3,137,571	1,199,013	1,199,013	61.79%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2021-2022 Budget
For the twelve months ended 9/30/2022

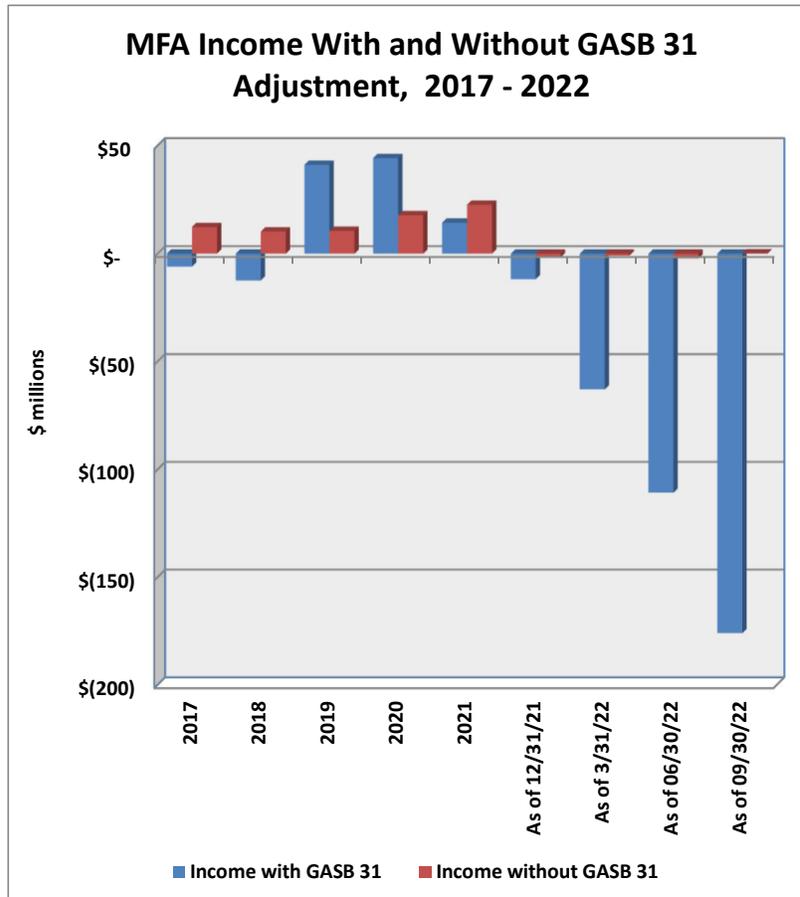
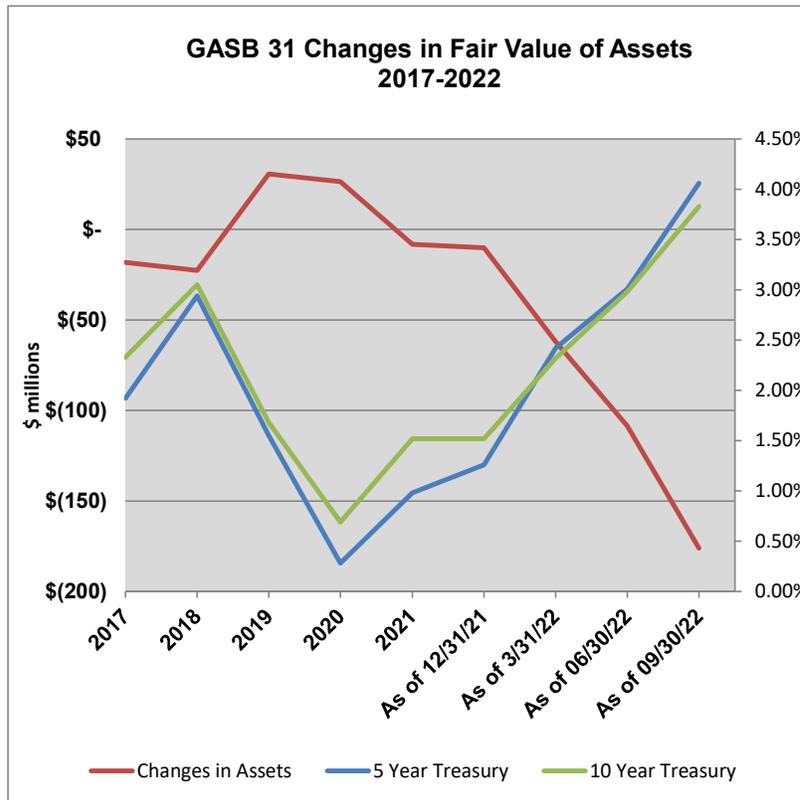
	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
2690 PURCHASED SERVICING RIGHTS	25,167	3,354,189	5,369,388	5,369,388	2,015,199	2,015,199	62.47%
2950 COMPUTER HARDWARE		23,650	184,324	184,324	160,674	160,674	12.83%
2960 SOFTWARE LICENSES	-	-	-	-	-	-	
2920 FURNITURE & EQUIPMENT-10 YR	44,991	42,131	83,900	83,900	41,769	41,769	50.22%
2930 FURNITURE & EQUIP, 5 YR.	-	-	-	-	-	-	
2860 BUILDING	-	-	-	-	-	-	
Capital Budget	70,157	3,419,970	5,637,612	5,637,612	2,217,642	2,217,642	60.66%

HOUSING OPPORTUNITY FUND
September 30, 2022

TOTAL General Fund Dollars Allocated: \$ 117,129,194 Outstanding: at an average yield of 5.21%

	Primero	Primero PRLF	Primero Working Capital	Partners SF 1st Mortgage	Build It Guaranty	DPA Mortgages	HERO 1st Mortgages	Emerging Markets	MF Access	Emergency Housing Needs	Total
Original Allocation	\$5,824,041	\$0	\$350,000	\$6,838,000	\$2,500,000	\$38,478,739	\$10,000,000	\$1,550,000	\$32,143,000	\$500,000	\$98,183,781
Transfers	(\$4,877,000)	\$925,000	(\$350,000)	(\$4,240,000)	(\$2,500,000)	\$29,318,714	(\$8,713,714)	(\$1,550,000)	(\$8,013,000)	\$0	\$0
3rd Party Award	\$3,363,000	\$4,125,000				\$11,457,413					\$18,945,413
Current Allocation	\$4,310,041	\$5,050,000	\$0	\$2,598,000	\$0	\$79,254,867	\$1,286,286	\$0	\$24,130,000	\$500,000	\$117,129,194
Funded/ Committed	3,511 \$19,052,318	210 \$5,050,000	n/a \$35,000	253 \$13,633,200	105 units \$0	22,864 \$152,176,789	63 \$9,258,705	None \$0	1,649 \$31,522,224	None \$30,000	\$28,550 \$230,758,237
Repayments	\$18,604,428	\$324,087	\$35,000	\$11,006,237	\$0	\$75,216,118	\$7,972,419	0	\$7,173,678	0	\$120,331,967
Available	\$3,862,151	\$324,087	\$0	(\$28,963)	\$0	\$2,294,196	(\$0)	\$0	(\$218,546)	\$470,000	\$6,702,924
Subsidy/ Unit	\$5,426	\$24,048	n/a	\$53,886	\$0	\$6,906	\$146,964	n/a	\$19,116	n/a	\$8,831
Outstanding & Yield	132 \$447,890 3.22%	92 \$1,611,878 3.00%	0 \$0 0.00%	114 \$2,526,163 0%	None \$0 0%	12,502 \$76,099,806 5.23%	12 \$1,286,286 5.14%	None \$0 n/a	1,579 \$24,348,546 5.91%	None \$0 n/a	14,431 \$106,320,570 5.21%
Collateral	1st or 2nd mtg on SF or MF development	1st or 2nd mortg on MF development	1st mortgage on SF rentals	1st mortgage on SF homes	2nd mortgage on SF or MF development	2nd mortgage on SF homes	1st mortgage on SF homes	n/a	1st mortgage on MF development	n/a	
AMI Served	52% at 60% or below 48% at 80% or above	<60%	n/a	60% statewide	54% at 60% or below 46% at 80% or above	Until 2003: Up to 80% & 95% Since 2003: MSVR limits	Up to 140%	n/a	91% at 60% or below 9% at market	n/a	
Geographic Distribution	27% Albuquerque, SF & LC MSAs 73% Tribal & Rural	100% Rural	n/a	60% Albuquerque, SF & LC MSAs 40% Rural	15% Albuquerque 85% Rural	82% Albuquerque, SF & LC MSAs 18% Rural	Teachers, Police, Firefighters, Nurses, Military 81% MSA 19% Rural	n/a	43% Albuquerque, SF & Las Cruces MSA 57% Tribal & Rural	n/a	
Delinquency Rate	15.96%	0.00%	0.00%	10.53%	0.00%	7.81%	0.00%	n/a	0.00%	n/a	6.17%
Default Rate	2.94%	0.00%	0.00%	0.00%	0.00%	7.12%	0.00%	n/a	0.00%	n/a	7.00%
Loan Loss Allowance	221,466	-	-	-	-	9,900,860	-	n/a	-	n/a	10,122,326

New Mexico Mortgage Finance Authority
Effect of GASB31 on Financials



New Mexico Mortgage Finance Authority
Loan and Credit Line Activity
As of 9/30/2022

Lender	Purpose	Collateral	Date of Incurrence (after 2/27/2019)	Board Authorization Date	Authority Limit	Outstanding 6/30/22	Advances	Repayments	Outstanding 9/30/22	Maturity	Interest Rate as of 6/30/22	Interest Payments this quarter
Community Banks	Fund DPA program and assist financial institutions meet CRA requirements	DPA portfolio		March 2018	5,000,000	-	-	-	-	n/a	n/a	
FHLB	Mortgage Backed Security Warehouse, Loans Held for Sale Program	Mortgage loan pipeline		October 2017	60,000,000	15,000,000	60,000,000	56,000,000	19,000,000	3/10/2022	3.167%	90,373
FHLB	Mortgage Backed Security Warehouse, Loans Held for Sale Program & operations	Securities		October 2017	25,000,000	-	10,000,000	-	10,000,000	n/a	4.05%	-
USDA-RD	Preservation Revolving Loan Fund Demonstration Program	PRLF mortgage loans		September 2015	2,125,000	-	-	-	-	n/a	n/a	
SBIC	Capitalize Primero Loan Fund	None		April 2014, March 2019	2,500,000	-	-	-	-	11/30/2023	n/a	
FHLB	Mortgage Revenue Bond (MRB) Warehousing	MRB Mortgage backed securities		June 2013	30,000,000	-	-	-	-	n/a	n/a	
Wells Fargo	Capitalize Primero Loan Fund	None		October 2011	850,000	637,500	-	106,250	531,250	11/15/2023	2.00%	3,447
USDA-RD	Preservation Revolving Loan Fund Demonstration Program	PRLF mortgage loans		May 2011	2,000,000	1,521,355	-	-	1,521,355	1/20/2042	1.00%	-
TOTAL					122,475,000	17,158,855	70,000,000	56,106,250	31,052,605			93,820

Tab 7

**September 30, 2022, Quarterly Investment Review
Agenda for Discussion at Board Meeting
Meeting Date: November 16, 2022**

For reference:

Minutes of the November 8, 2022, investment discussion during the Finance Committee meeting.

For discussion:

Quarterly Investment Review of MFA General Fund and Housing Trust Fund investments:

- Executive Summary
- Portfolio Reports:
 1. General Fund Investment Policy Compliance Report
 2. General Fund Short and Intermediate-term Portfolio Summary
 3. General Fund Long-term Portfolio Summary
 4. Housing Trust Fund Portfolio Summary
 5. Portfolio Metrics
 6. Economic Indicators

**New Mexico Mortgage Finance Authority
Minutes of Quarterly Investment Review
(Taking place during the Finance Committee November 8, 2022)**

Present: Chair Angel Reyes, Member Tim Eichenberg, and Proxy Member Martina C'de Baca

MFA Staff Present: Jeff Payne, Donna Maestas-De Vries, Cooper Hall, Lizzy Ratnaraj, Izzy Hernandez, Yvonne Segovia, Viktoria Gonsior, Julie Halbig

- Report being presented is as of September 30, 2022.
- Compliance Report (Diversification and Asset Allocation): Hall reviewed the General Fund Investment Compliance Report. He informed the committee that all individual asset classes were compliant with policy. He also informed the committee that the Long-Term Investment portfolio was temporarily slightly under allocated due to SIC losses. Excess cash was being held in anticipation of the potential building purchase.
- Portfolio Summary- Short & Intermediate Term Investments: Hall reviewed asset classes and yield/returns.
- Portfolio Summary- Long Term Investments Including State Investment Council Investments: Hall reviewed market values, rates of returns and realized gain/loss data for the mortgage-backed securities and the State Investment Council (SIC) funds.
- Portfolio Summary- Housing Trust Fund: Hall reminded the committee that the Housing Trust Fund is 100% invested in the SIC Core Plus Bond Fund. He also informed the committee of the Funds market value, rate of return and realized gain/loss data.
- Hall reviewed interest income detail, benchmarks and noted changes in economic indicators.
- Changes in the interest rate environment and related impacts were discussed during the presentation.

General Fund:

Asset Class	9/30/22 Balance	Yield/Rate of Return	Benchmark Rate of Return
Cash Held for Operations/Warehoused MBS	\$9,676,259	Various	n/a
Local Government Investment Pool	5,658,780	1.47%	n/a
Bond Ladder	15,997,139	0.62%	1.28%
MFA's Mortgage Backed Securities-Intermediate Term	10,582,089	5.22%	n/a
MFA's Mortgage Backed Securities-Long Term	3,125,330	2.99%	n/a
Core Plus Bond Fund-Active (SIC)	5,989,165	-17.54%	-14.60%
Large Cap Index Equity Fund (SIC)	5,908,105	-18.02%	-17.24%
Small/Mid Cap Fund (SIC)	2,716,334	-26.79%	-20.22%
Non-US Developed Markets Fund (SIC)	2,964,444	-27.97%	-24.86%
Non-US Emerging Markets Fund (SIC)	826,170	-33.45%	-28.11%

Housing Trust Fund:

Asset Class	9/30/22 Balance	Yield/Rate of Return	Benchmark Rate of Return
Core Plus Bond Fund-Active (SIC)	\$12,814,599	-15.06%	-14.60%

**INVESTMENT REPORT – EXECUTIVE SUMMARY
FOR THE FOURTH QUARTER OF FISCAL YEAR 2022**

1. MFA made no liquidations from the State Investment Council (SIC) portfolio in the fourth quarter of FY 2022. Currently all asset allocations are compliant with the investment policy by asset class. As of September 30th, MFA is under allocated to the long-term portion of the portfolio by 1%. Staff is holding more in short-term investments than normal in anticipation of the new building purchase. Staff is evaluating needs to rebalance each month to maintain compliance with Policy ranges.
2. During the fourth quarter of FY 2022, staff made no bond purchases. No bonds matured in the fourth quarter.
3. In September of 2022 the Federal Open Market Committee raised the targeted range of the federal funds rate to 3.00%-3.25%. Yields in our fixed income portfolios of MBS have remained unchanged. The bond ladder has slightly underperformed its benchmark, but will soon catch up as lower yielding bonds mature and are re-invested at the now higher rates over the next few quarters.
4. The State Investment Council portfolio has underperformed its benchmarks in FY 2022. It is currently yielding -21.52% as of September 30, 2022. Fair market value losses for FY 2022 were -\$4,909,517. These losses in the portfolio were spread out across the Core Plus Bond Fund, the Domestic Large Cap Fund, the Non-US Developed Fund, the Small/Mid-cap Fund, and the Non-US Emerging Market Fund.
5. The Housing Trust Fund State Investment Council portfolio, which is 100% invested in a core bond fund has experienced a rate of return of -15.06% and has performed in line with its benchmark which has a rate of return of -14.60% FYTD.
6. As of the fourth quarter of FY2022 interest income is 116% of the total annual budgeted interest income.
7. Historically the State Investment Council portfolio has performed well when compared to established benchmarks. In the fourth quarter of FY 2022, all SIC funds slightly underperformed their benchmarks.

8. As of September 30, 2022, MFA's General Fund and Housing Trust Fund balances are as follows:

General Fund:

Asset Class	9/30/22 Balance	Yield/Rate of Return	Benchmark Rate of Return
Cash Held for Operations/Warehoused MBS	\$9,676,259	Various	n/a
Local Government Investment Pool	5,658,780	1.47%	n/a
Bond Ladder	15,997,139	0.62%	1.28%
MFA's Mortgage-Backed Securities-Intermediate Term	10,582,089	5.22%	n/a
MFA's Mortgage-Backed Securities-Long Term	3,125,330	2.99%	n/a
Core Plus Bond Fund-Active (SIC)	5,989,165	-17.54%	-14.60%
Large Cap Index Equity Fund (SIC)	5,908,105	-18.02%	-17.24%
Small/Mid Cap Fund (SIC)	2,716,334	-26.79%	-20.22%
Non-US Developed Markets Fund (SIC)	2,964,444	-27.97%	-24.86%
Non-US Emerging Markets Fund (SIC)	826,170	-33.45%	-28.11%

Housing Trust Fund:

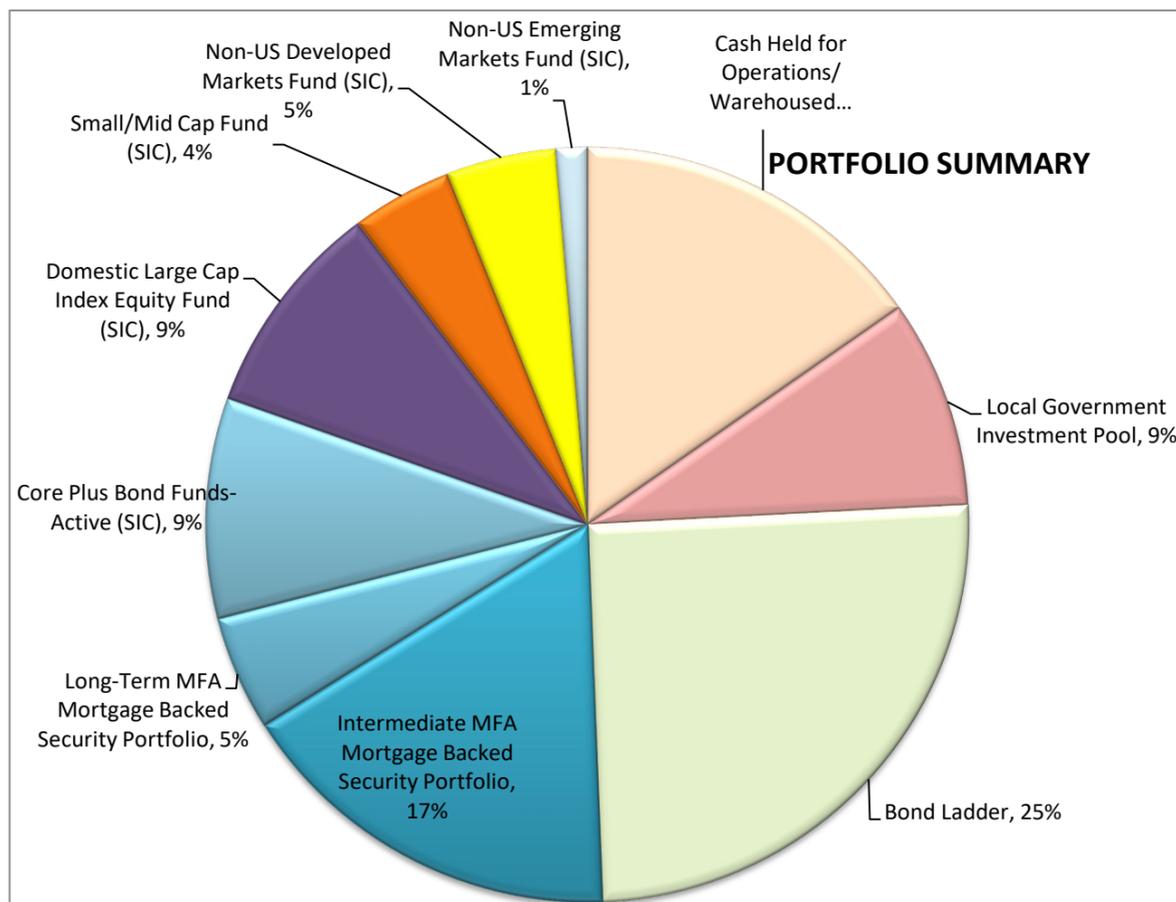
Asset Class	9/30/22 Balance	Yield/Rate of Return	Benchmark Rate of Return
Core Plus Bond Fund-Active (SIC)	\$12,814,599	-15.06%	-14.60%



GENERAL FUND INVESTMENT COMPLIANCE REPORT FOR QUARTER 4 (AS OF September 30, 2022)

ASSET CLASS	Policy Requirement Target	Policy Requirement Range	Current Portfolio Carrying Value	Portfolio Weighting by Investment Horizon	Portfolio Weighting by Asset Class	Within \$ Limit Range	Action Plan
Short-Term Investments (Less than 1 year)	20%	15%-25%	\$ 15,335,039	24%		Yes	No withdrawals from the SIC were made in the fourth quarter of FY 2022. No bond purchases were made.
Cash Held for Operations/Warehoused MBS*	14%	9%-19%	\$ 9,676,259		15%	Yes	
Local Government Investment Pool	6%	1%-11%	\$ 5,658,780		9%	Yes	
Intermediate-Term Investments (1 to 10 years)	40%	35%-45%	\$ 26,579,228	42%		Yes	
Bond Ladder	27%	22%-32%	\$ 15,997,139		25%	Yes	
Intermediate MFA Mortgage Backed Security Portfolio	13%	8%-18%	\$ 10,582,089		17%	Yes	
Long-Term Investments (More than 10 years)	40%	35%-45%	\$ 21,529,548	34%		No	
Long-Term MFA Mortgage Backed Security Portfolio	4%	0%-9%	\$ 3,125,330		5%	Yes	
Core Plus Bond Funds-Active (SIC)	12%	7%-17%	\$ 5,989,165		9%	Yes	
Domestic Large Cap Index Equity Fund (SIC)	11%	6%-16%	\$ 5,908,105		9%	Yes	
Small/Mid Cap Fund (SIC)	5%	0%-10%	\$ 2,716,334		4%	Yes	
Non-US Developed Markets Fund (SIC)	6%	1%-11%	\$ 2,964,444		5%	Yes	
Non-US Emerging Markets Fund (SIC)	2%	0%-7%	\$ 826,170		1%	Yes	
			\$ 63,443,815		100.00%		

*Does not include capital borrowed for loan operations or restricted funds.



SIC FUND ALLOCATION

	Policy	Actual
SIC Core Plus Bond-Active	33%	33%
SIC Large Cap Index Equity	31%	32%
Small/Mid Cap Index	14%	15%
Non-US Developed Markets	17%	16%
Non-US Emerging Markets	5%	4%

BOARD ACTIONS

- August 2005 - approved General Fund Investment
- February 2008 - approved new Large Cap Index ETF Pool
- January 2009 - approved Revision to Investment Policy
- October 2010 - Approved Revision to Investment Policy
- May 2011 - Approved revision to Investment Policy
- April 2012 - Approved revision to Investment Policy
- April 2013 - Approved revision to Investment Policy
- April 2016 - Approved revision to Investment Policy
- October 2017 - Approved revision to Investment Policy
- December 2020-Board affirmed current Investment Policy



PORTFOLIO SUMMARY - Short & Intermediate Investments

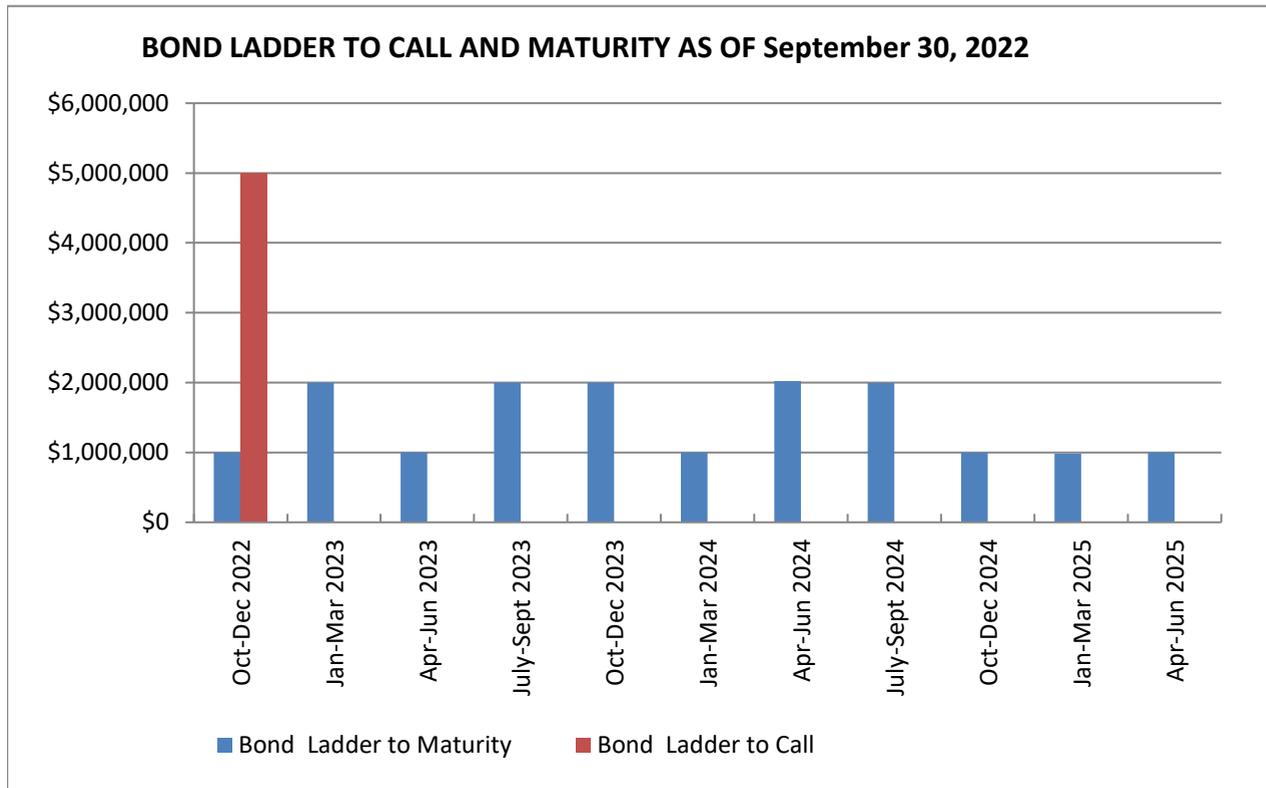
General Fund	Book Value YTD/Quarter 4 as of 9/30/2022	Book Value YTD/Quarter 4 as of 9/30/2021	Unrealized Gain/Loss YTD/Quarter 4 as of 9/30/2022	Yield to Maturity YTD/Quarter 4 as of 9/30/2022	Yield to Maturity YTD/Quarter 4 as of 9/30/2021
Short-Term					
Cash Held for Operations/Warehoused MBS*	\$ 9,676,259	\$ 3,024,844	N/A	Various	Various
Local Government Investment Pool	\$ 5,658,780	\$ 7,120,893	N/A	1.47%	0.11%
Intermediate-Term					
Bond Ladder	\$ 15,997,139	\$ 16,036,893	\$ (669,979)	0.62%	0.34%
MFA Mortgage Backed Security Portfolio	\$ 10,582,089	\$ 9,232,175	\$ (77,384)	5.22%	5.11%
Yield to Maturity for Intermediate-Term Investments				2.45%	2.83%
Total Short & Intermediate-Term	\$ 41,914,267	\$ 35,414,804	\$ (747,362)		

*Does not include capital borrowed for loan operations or restricted funds.

**Weighted average maturity.

BOND LADDER SECTOR ALLOCATION

	Book Value	% of Total Dollars
Fannie Mae	\$ 1,000,735	6%
Federal Farm Credit Bank	\$ 5,978,669	37%
Federal Home Loan Bank	\$ 4,000,015	25%
Freddie Mac	\$ 1,023,191	6%
US Treasury	\$ 3,994,528	25%
Total	\$ 15,997,139	100%



INVESTMENTS PURCHASED IN THE FOURTH QUARTER OF FY 2022

Date Purchased	Security	Interest Rate	YTM/YTC	Dollar Amount
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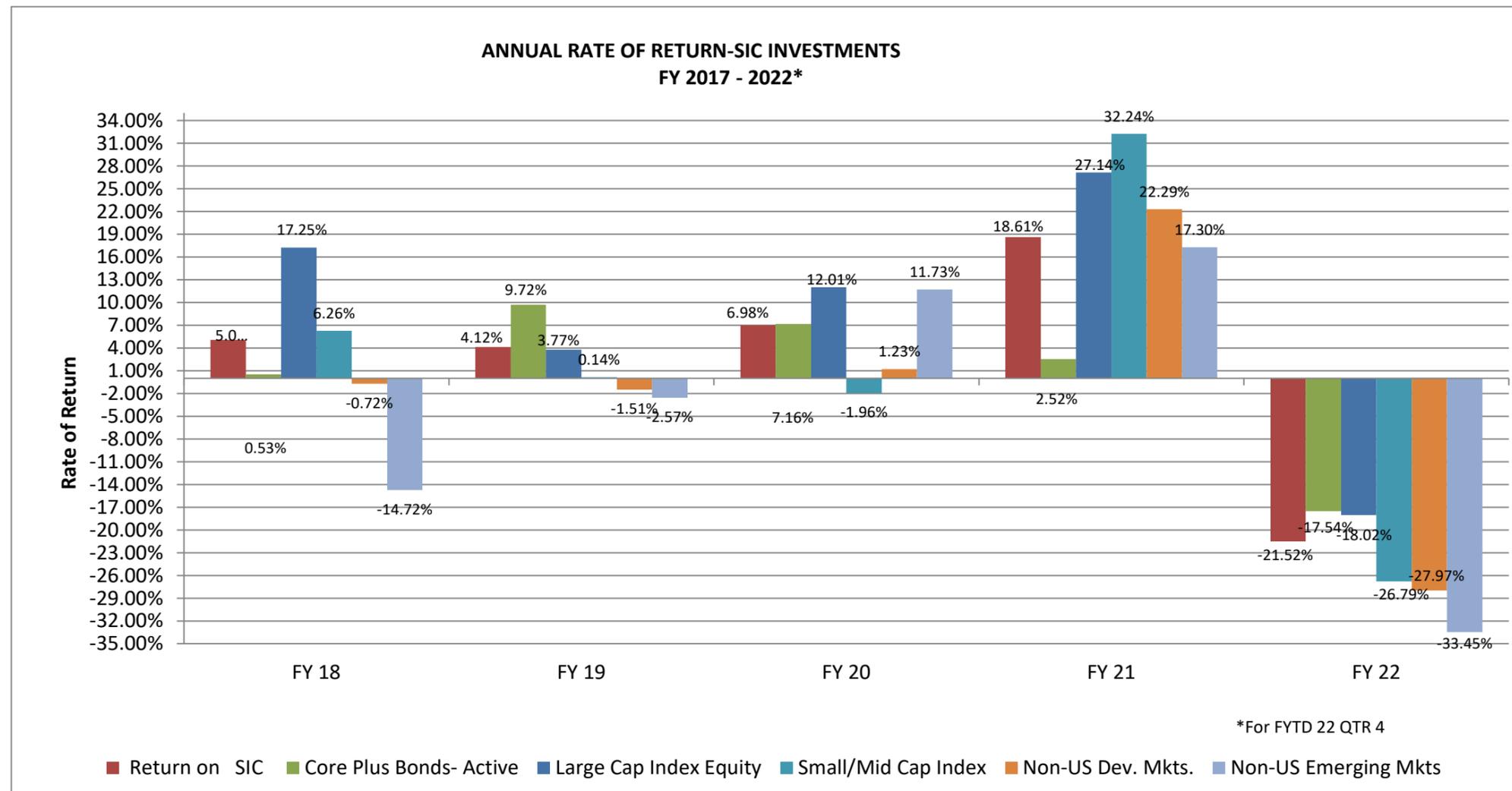


PORTFOLIO SUMMARY - Long Term Investments Including State Investment Council Investments

General Fund Long Term	Book/Market Value YTD/Quarter 4 as of 9/30/2022	Book/Market Value YTD/Quarter 4 as of 9/30/2021	Unrealized/Realized** Gain/Loss YTD/Quarter 4 as of 9/30/2022	Rate of Return YTD/Quarter 4 as of 9/30/2022 *	Rate of Return YTD/Quarter 4 as of 9/30/2021 *
MFA's Mortgage Backed Securities Portfolio	\$ 3,125,330	\$ 3,734,415	\$ (432,971)	2.99%	3.07%
State Investment Council (SIC):					
Core Plus Bond Fund-Active	\$ 5,989,165	\$ 7,158,455	\$ (1,352,451)	-17.54%	2.52%
Domestic Large Cap Index Equity Fund	\$ 5,908,105	\$ 7,368,899	\$ (1,298,887)	-18.02%	27.14%
Small/Mid Cap Fund	\$ 2,716,334	\$ 3,351,339	\$ (845,177)	-26.79%	32.24%
Non-US Developed Markets Fund	\$ 2,964,444	\$ 3,880,300	\$ (1,055,782)	-27.97%	22.29%
Non-US Emerging Markets Fund	\$ 826,170	\$ 1,083,577	\$ (357,220)	-33.45%	17.30%
Total State Investment Counsel	\$ 18,404,218	\$ 22,842,570	\$ (4,909,517)	-21.52%	18.61%
Total Long-Term Investments	\$ 21,529,548	\$ 26,576,985	\$ (5,342,488)		

*SIC rate of returns are year to date, not annualized.

** Fair Market Value adjustments on the mortgage backed security portfolio are unrealized, however, they are realized on the SIC portfolio.



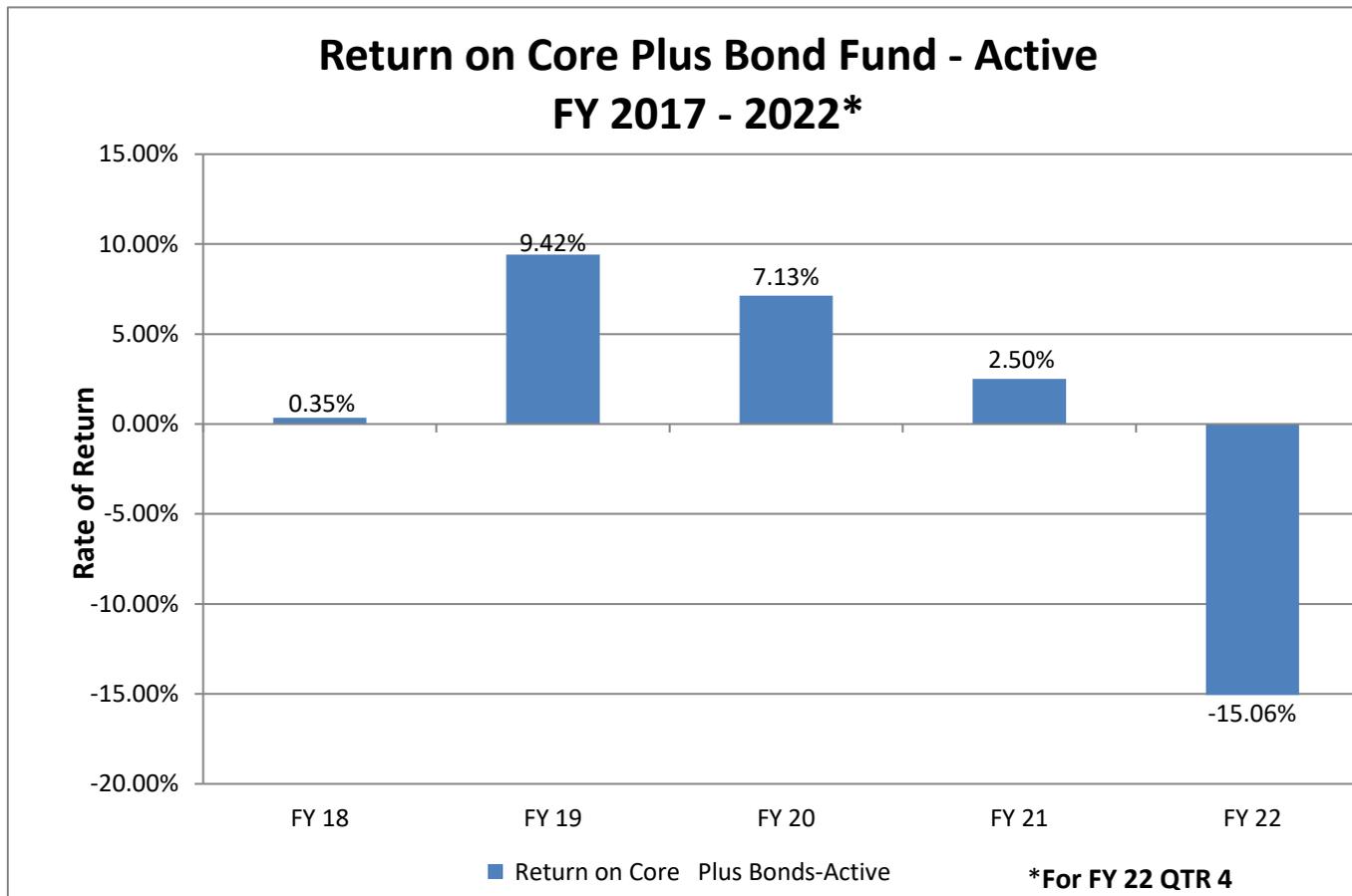


PORTFOLIO SUMMARY - New Mexico Housing Trust Fund

Housing Trust Fund	Market Value	Market Value	Realized Gain/Loss	Rate of Return	Rate of Return
	YTD/Quarter 4 as of 9/30/2022	YTD/Quarter 4 as of 9/30/2021	YTD/Quarter 4 as of 9/30/2022	YTD/Quarter 4 as of 9/30/2022	YTD/Quarter 4 as of 9/30/2021
State Investment Council (SIC): Core Plus Bond Fund-Active	\$ 12,814,599	\$ 16,734,883	\$ (2,617,963)	-15.06%	2.50%
Total State Investment Council	\$ 12,814,599	\$ 16,734,883	\$ (2,617,963)	-15.06%	2.50%

SIC FUND ALLOCATION

SIC Core Plus Bond-Active	100%	100%
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GENERAL FUND INVESTMENT PORTFOLIO - METRICS

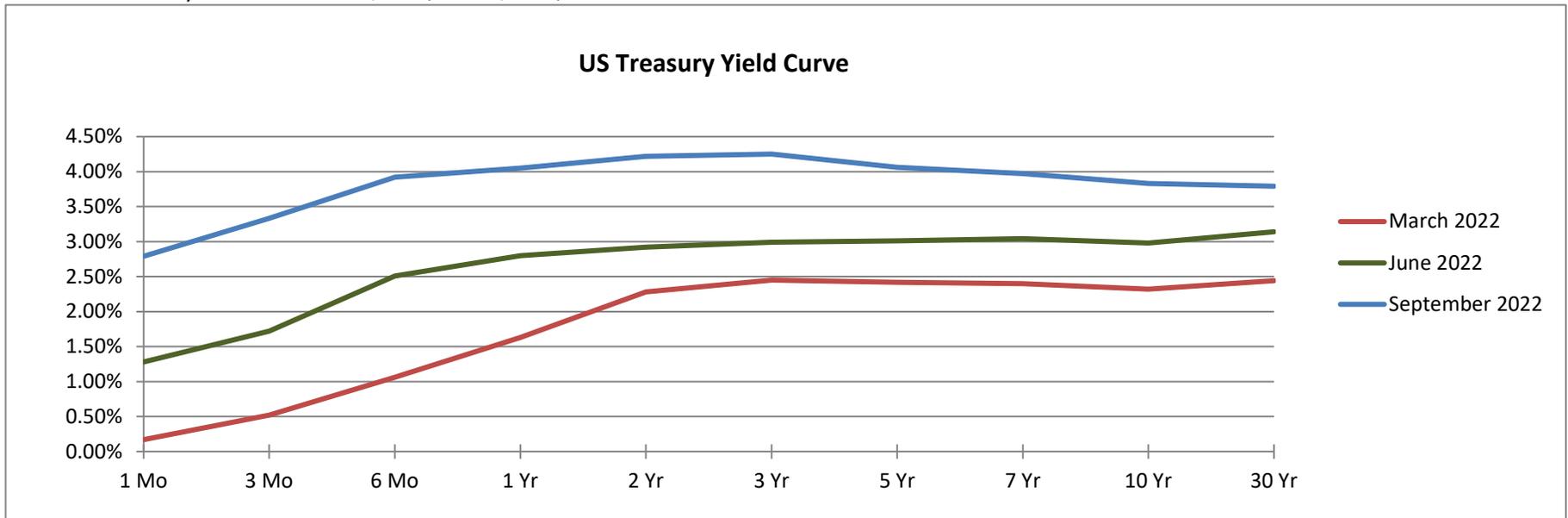
Asset Class	S&P Rating	Moody's Rating	Annual Interest Income (Budget) FY2022	Actual Annual Interest Income YTD/Quarter 4 9/30/2022	Interest Income Earned of Total Budget YTD/Quarter 4 9/30/2022
Cash Held for Operations/Warehoused MBS	N/R	N/R	\$ 1,567	\$ 113,865	7266%
Local Government Investment Pool	AAAm	N/R	\$ 5,295	\$ 40,867	772%
Bond Ladder			\$ 89,100	\$ 41,238	46%
Fannie Mae	N/R	Aaa/Stable			
Federal Farm Credit Bank	N/R	Aaa/Stable			
Federal Home Loan Bank	N/R	Aaa/Stable			
Freddie Mac	N/R	Aaa/Stable			
MFA Mortgage Backed Security Portfolio	N/R	Aa3/Stable	\$ 372,793	\$ 520,416	140%
Intermediate Term	AA+	Aa3/Stable			
Long-Term	AA+	Aa3/Stable			
State Investment Council			\$ 548,226	\$ 463,539	85%
Core Plus Bond Fund-Active	N/R	N/R			
Large Cap Index Equity Fund	N/R	N/R			
Small/Mid Cap Fund	N/R	N/R			
Non-US Developed Markets Fund	N/R	N/R			
Non-US Emerging Markets Fund	N/R	N/R			
			\$ 1,016,981	\$ 1,179,924	116%

Asset Class	Yield to Maturity/ Rate of Return YTD/Quarter 4 9/30/2022	Benchmark Yield/Rate of Return	
State Investment Council			
Core Plus Bond Fund-Active	-17.54%	-14.60%	Barclays US Agg Total Return Value
Large Cap Index Equity Fund	-18.02%	-17.24%	Russell 1000 Index-US Large Cap Equity
Small/Mid Cap Fund	-26.79%	-20.22%	Average ⁽¹⁾
Non-US Developed Markets Fund	-27.97%	-24.86%	Average ⁽²⁾
Non-US Emerging Markets Fund	-33.45%	-28.11%	MSCI Emerging Markets Index (Net)
Cash Held for Operations/Warehoused MBS	Various	N/A	
Local Government Investment Pool	1.47%	N/A	(1) Average of the following benchmarks: Russell Mid Cap Index Russell 2000 Value Index Russell 2000 Index
Bond Ladder	0.62%	1.28%	
MFA Mortgage Backed Security Portfolio			
Intermediate Term	5.22%		(2) Average of the following benchmarks: MSCI EAFE Net Total Return US Index MSCI AC World Index EX USA Value Net Total Re MSCI ACW EX US Small Cap Index MSCI World Ex US IMI Index (net)
Long-Term	2.99%		
1% or more under benchmark			
In line with Benchmark			
1% or more above benchmark			

Economic Indicators

	<u>9/30/2022</u>		<u>9/30/2021</u>		
Average US Gas Price	\$ 3.82	\$ 3.18	Federal Funds Rate	3.08%	0.06%
Average NM Gas Price	\$ 3.60	\$ 3.31	Consumer Price Index (yoy)	8.20%	5.40%
WTI Spot Price	\$ 79.49	\$ 75.05	Unemployment Rate	3.50%	4.80%
	<u>8/31/2022</u>		<u>8/31/2021</u>		
US Median Home Price	\$ 396,300	\$ 368,200	Real GDP (yoy)	1.80%	4.90%
NM Median Home Price	N/A	\$ 352,925	DJIA*	-13.40%	24.15%
US Median Family Income	\$ 88,173	\$ 85,552			

*Cumulative return for the period 10/1 through 9/30 which is four quarters of each respective fiscal year.



	<u>1 Mo</u>	<u>3 Mo</u>	<u>6 Mo</u>	<u>1 Yr</u>	<u>2 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>7 Yr</u>	<u>10 Yr</u>	<u>30 Yr</u>
March 2022	0.17%	0.52%	1.06%	1.63%	2.28%	2.45%	2.42%	2.40%	2.32%	2.44%
June 2022	1.28%	1.72%	2.51%	2.80%	2.92%	2.99%	3.01%	3.04%	2.98%	3.14%
September 2022	2.79%	3.33%	3.92%	4.05%	4.22%	4.25%	4.06%	3.97%	3.83%	3.79%

Source: U.S. Department of the Treasury

Tab 8



MEMO

TO: Board of Directors

Through: Finance Committee – November 8, 2022

Through: Policy Committee – November 1, 2022

FROM: Cooper Hall and Viktoria Gonsior

DATE: November 16, 2022

SUBJECT: Award for To Be Announced Single Family Program
Administrative Services

Recommendation: Staff recommends that Hilltop Securities Inc. (“Hilltop”) be selected to provide To Be Announced Single Family Program Administrative Services (“TBA Services”).

Background:

August 2017- MFA issued a Request for Proposal to Provide To Be Announced (“TBA”) Single Family Program Administrative Services. MFA received three responses, all of which met the minimum qualifications.

November 2017- MFA’s board awarded the TBA Services contract to Hilltop for a term of three years with the option to extend the contract for two, one (1) year periods under the same terms and conditions.

September 2021- MFA executed the second and final extension for the TBA Administrator contract.

Discussion: MFA received three proposals in response to the RFP, one from each of the following firms: Hilltop, Raymond James, and Stifel. All three proposals met the minimum qualifications. The proposals were reviewed by an internal review committee of five staff members. Each member of the internal review committee independently scored the individual proposals. Points were awarded to the Offeror based on the criteria outlined in Part V: Evaluation Criteria of the RFP. A simple average was then calculated based on the committee member individual scores for each of the scoring criteria.

As noted in the RFP, the contract begins on the date the MFA Board of Directors approves the award and ends on November 30, 2025. At the option of the Policy Committee, the contract may be extended for two, one (1) year periods under the same terms and conditions. Attached are the following spreadsheets: (a) Exhibit A showing that the Offeror met the minimum qualifications, (b) Exhibit B showing the average points awarded to the Offerors.

Through the internal review committee scoring process, Hilltop scored the highest with a score of 93 (out of a 100). Hilltop has satisfactorily assisted MFA with funding the Single-

Family Mortgage Program by utilizing the To Be Announced (“TBA”) market. Hilltop currently provides TBA Administration services to 17 state housing finance agencies. Its housing team consists of 14 highly experienced professionals that leverage decades of mortgage experience. To date Hilltop has locked more than \$60.8 billion in HFA loans, of which they have securitized and purchased over \$47 billion in Mortgage-Backed Securities under similar programs with their HFA clients. This includes \$1.78 billion in locks in MFA’s TBA program. The internal review committee is confident that Hilltop will provide quality TBA Services while also providing the best TBA pricing.

Attached are the following spreadsheets: Exhibit A showing that the Offeror met the minimum threshold, and exhibit B showing the average points awarded to the Offerors through the scoring process.

Summary: At the August 2022 Board meeting, the MFA Board approved a Request for Proposal (RFP) to Provide To Be Announced Single Family Program Administrative Services. MFA received three responses to the RFP which all met minimum qualifications. The proposals were scored by an internal committee of five staff members in accordance with the evaluation criteria outlined in the RFP. Hilltop received the highest number of points. Staff recommends that Hilltop be selected to provide To Be Announced Single Family Program Administrative Services. Per the RFP, the contract begins on the date the MFA Board approves the award and ends on November 30, 2025. At the option of the Policy Committee, the contract may be extended for two, one (1) year periods under the same terms and conditions.

Exhibit A: Minimum Qualifications

	Hilltop Securities	Raymond James	Stifel
1 The Offeror must have a background in administering TBA/forward commitment programs or structures for Housing Finance Agencies.	X	X	X
2 The Offeror must demonstrate their ability to hedge, price and structure a TBA/forward commitment, best efforts mortgage loan pipeline.	X	X	X
3 The Offeror must demonstrate financial stability sufficient to fulfill TBA/forward commitment contracts including piepline fallout and any financial risk and costs associated in administering this type of program.	X	X	X
4 The Offeror must maintain Professional Liability Insurance and Errors and Omissions Insurance of at least \$2,000,000.	X	X	X
5 The Offeror must not have any minimum volume or production thresholds requirements related to administering a TBA/forward commitment program for MFA.	X	X	X
6 The Offeror must comply fully with all government regulations regarding nondiscriminatory employment practices.	X	X	X
7 The Offeror is in compliance with the Tier 1 capital ratio, if applicable.	X	X	X

Exhibit B: Request for Proposals To Be Announced Single Family Program Administrative Services

Part V: Evaluation Criteria

Criteria	Point Range	Maximum Points	References to RFP	Hilltop	Raymond	Stifel
				Securities	James	
1 General Information, Experience and Capacity	0-25	25	Part VI: No. 2, 3, pages 9-10; No. 6, page 13	25	20	15
2 Financial Strength of TBA Administrator	0-25	25	Part VI: No. 4, pages 10-11	23	25	20
3 Work Plan, Approach and Technical Capabilities	0-30	30	Part VI: No. 5, pages 11-12	30	28	25
4 Fees	0-10	10	Part VI: No. 6, pages 12-13	10	5	5
5 References	0-5	5	Part VI: No. 6, page 13	5	5	5
6 New Mexico Resident Business	5	5	Part VI: 7, pages 13-14	0	0	0
7 Interviews, if held	5	5		N/A	N/A	N/A
Maximum Points	0-100	100		93	83	70
Maximum Points if interviews are held	0-105	105				



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, November 8, 2022 @ 10:00 am
MFA – Albuquerque

WebEx join the meeting from the calendar or call 1-408-418-9388 (access code): 2484 532 8075

AGENDA ITEM	TIME ALLOTTED	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 HOME-American Rescue Plan (Act) (ARP) Award – Cornerstone Apartments (George Maestas)	10:00 – 10:15	3-0	YES
2 HOME-American Rescue Plan (Act) (ARP) Award – Route 66 Flats (Hannah Faulwell and George Maestas)	10:15 – 10:30	3-0	YES
3 Copper Terrace - Fiscal Recovery Funds (FRF) Grant Request (Tim Martinez and George Maestas)	10:30-10:45	3-0	YES
4 Request for Proposal For Graphic Design and Creative Services (Paul Dahlgren)	10:45-11:00	3-0	YES
5 Questions/comments from Committee	11:00-11:15	✓	NO

Committee Members present:

Rebecca Wurzburger, Chair

present

absent

conference call

Attorney General Hector Balderas or

Sally Malavé

present

absent

conference call

Patricia Sullivan

present

absent

conference call

Hector Balderas

Tab 9

2022 RENTAL AWARD SUMMARY

Project Name & Address	Cornerstone Apartments 603 Hadeco Drive, Lordsburg, Hidalgo County, NM 88045			
Proposed Award	\$8,721,574	HOME ARP- Homeless and At-Risk of Homelessness Rental Housing Program	Rate:	N/A - Grant
Offeror	High Desert Housing Corporation (HDH): a New Mexico nonprofit 501 (c) 3 corporation formed in 2011 to provide housing to people with disabilities, including physical and developmental disabilities and chronic mental illness.			
Management	<p>High Desert Housing Corporation (HDH), a New Mexico Nonprofit corporation formed in 2011 to provide housing to people with disabilities, including physical and developmental disabilities and chronic mental illness. High Desert Housing, formerly Cion Housing, has been providing affordable housing property management services to New Mexico residents most in need for 16 years. High Desert Housing was formed after seeing the need for more housing dedicated to special needs populations, with a focus on housing people experiencing homelessness. High Desert works with case managers, services coordinators, social workers, and other mental health professionals, and is dedicated to providing quality housing management to their residents and developing new properties to help eliminate homelessness throughout New Mexico.</p> <p>Supporting People in Need (S.P.I.N.) is the Service Provider for the Cornerstone Apartments project. S.P.I.N. is a New Mexico nonprofit 501 (c) 3 corporation formed in 2018 to provide Permanent Supportive Housing (PSH) and/or services to homeless individuals with substance abuse problems and mental illness and for individuals and families in need. PSH is an evidence-based practice that has been shown to be successful in many other communities in New Mexico and around the country. PSH uses Housing First, Trauma informed care, design and services, and Harm Reduction practices. In addition to the creation of permanent supportive housing units, SPIN also provides transitional housing, 24 hour a day emergency shelter and a drop-in center to qualified clients.</p>			
Developer	<p>A to-be-formed New Mexico Limited Liability Company comprised of BlueLine Development, Inc. (50%), High Desert Housing Corporation (25%), and Supporting People in Need (25%)</p> <p>BlueLine Development, Inc., is a Montana real estate development corporation formed in 2011 by Nate Richmond, CEO and Kelly Gill, CFO, to engage in the business of acquiring, developing, constructing, owning, operating and leasing real property, and consulting with regard to the acquisition, development, construction, operation and leasing of real property. Nate Richmond has worked in the affordable housing industry for nearly 20 years and has developed more than 2,800 units of affordable housing. Kelly Gill has worked in the industry since 2005 and has completed over 40 affordable housing projects. BlueLine has experience with a variety of funding sources, including LIHTC, AHP, Housing Choice Vouchers, USDA RD, HOME, NAHASDA, RAD and NHTF. The company has completed 28 projects in Colorado, Minnesota, Montana, North Dakota, South Dakota, Utah and Wyoming and has another eleven under construction, for a total of production of 1,863 apartment units. Thirteen of BlueLine's projects are permanent supportive housing. The company has 15 key staff members.</p> <p>BlueLine Development's CPA-audited financial statements for FYE 12/31/2021 show Unrestricted Cash of \$94.4K, Total Assets of \$7.5MM and a Net Worth of \$7.2MM, resulting in a Debt-to Worth Ratio of 0.04 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. Audited financial statements for FYE 12/31/2020 show Unrestricted Cash of \$82.0K, Total Assets of \$4.5MM and a Net Worth of \$4.2MM, resulting in a Debt-to Worth Ratio of 0.09 : 1.00. Net Income for the period was positive and Traditional Cash Flow was also positive.</p> <p>High Desert Housing Corporation will participate in the development, operation, and management of Cornerstone Apartments. HDH will assist is obtaining funding for the development,</p>			

	<p>obtaining housing choice vouchers, creating a management plan, and serving as the property management company.</p> <p>HDH's Internally prepared financial statements for the period 1/01/2022- 5/31/3022 show Cash in the amount of \$2.5K, Total Assets of \$28.4K and a Net Worth of \$26.3K, resulting in a Debt-to Worth Ratio of 0.08 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. HDH does not have CPA-Audited or Reviewed financial statements available.</p> <p>Supporting People in Need (S.P.I.N.) is a New Mexico nonprofit 501 (c) 3 corporation formed in 2018 to provide Permanent Supportive Housing (PSH) and/or services to homeless individuals with substance abuse problems and mental illness and for individuals and families in need. PSH is an evidence-based practice that has been shown to be successful in many other communities in New Mexico and around the country. PSH uses Housing First, Trauma informed care, design and services, and Harm Reduction practices. In addition to the creation of permanent supportive housing units, SPIN also provides transitional housing, 24 hour a day emergency shelter and a drop-in center to qualified clients.</p> <p>In 2018, SPIN opened their first transitional house in Grant County for men who were transitioning from homelessness, addiction, and/or prison. It serves 10 men on this property. In December 2019, they opened a 24 hour a day shelter in Grant County. It shelters an average of 30 men and women a night. In 2020 they opened a transitional home in Deming for men. It houses 8 men. In February 2022 SPIN opened its first transitional house for women in Grant County. It houses 6 women. SPIN's transitional houses have a success rate of nearly 50%. In March of 2022 they partnered with Hidalgo County for office space in Lordsburg and began serving people in that capacity. Hidalgo County has partnered with SPIN to provide land for this Permanent Supportive Housing Project. Their financial stability comes from several sources including fee for service billing through Medicaid and Medicare, grants, and private donations.</p>
<p>Project Type & Size</p>	<p>New Construction of a 30-unit permanent supportive housing project with (100%) serving special needs populations. Twenty-five units are income restricted to households earning 30% or less of Area Median Income (AMI) and five units are income-restricted to households earning 50% or less of AMI.</p>
<p>Project Description</p>	<p>The Cornerstone Apartments project includes the new construction of a 30-unit permanent supportive housing project in Lordsburg, NM. The project will be located on approximately 1.5 acres and consists of a single three-story residential building consisting of approximately 23,000 gross sq ft. Each of the project's thirty one-bedroom units will be comprised of approximately 500 sq ft.</p> <p>The building will have a flat roof form and the exterior will be clad in varying textures of stucco and cement board siding with brick accents at the resident amenity and entrance. An elevator and staircase will serve the building. There are forty-six surface parking spaces and four handicap spaces planned on the site. Each apartment home will have high-efficiency windows, an increased insulation rating, energy star refrigerator, oven/range, garbage disposal, microwave, and air conditioning. To maintain building efficiency, residential units are stacked off of double loaded corridors on levels 1-3. The entire project will certify to National Green Building Standards.</p> <p>The project's building design contains a west-facing enclosed courtyard with barbecue area, patio seating, and green space located off the amenity area. The amenity and engagement space will be off the main entrance and will house over 2,600 square feet of space including a leasing office, front desk reception, and engagement space for the residents. This includes a communal laundry area, meeting space, offices for supportive services partners, a flex space, large dining area, and lounge space for group gatherings that will include a community catering kitchen.</p> <p>In addition to aligning Cornerstone residents with other services from community resources in Hidalgo, Grant and Luna counties, SPIN intends to provide the following services to meet residents "where they are" with their needs under a Housing First model. All services are voluntary, and residents will not be charged for any of the services. Staff from SPIN will be available to meet with residents and use creative engagement strategies to help connect them to services both on-site in the building as well as off-site in the larger community.</p>

	<p>The development team has supported the need for this project with other supplementary figures and statements. First, the development team asserts that, although the population of Lordsburg is relatively small, the project is intended to serve residents across the entire tri-county area (Hidalgo, Grant, and Luna counties) and that the decision to site the project in Lordsburg followed the city's decision to donate the land for the project. Therefore, the small population of Lordsburg should not negatively impact demand for units in the Cornerstone project. Second, the development team has provided figures demonstrating the general need for supportive housing in the state of New Mexico. According to a recent analysis conducted by the New Mexico Coalition to End Homelessness, over 6,500 people per year experience homelessness in NM but do not receive adequate assistance to help them exit homelessness and are in need of rapid rehousing and permanent supportive housing units. The Corporation for Supportive Housing (CSH) estimates a slightly higher number—around 8,400 supportive housing units needed in the state. Finally, the development team has provided more specific information on conditions in the tri-county area. The point-in-time count of homelessness in the tri-county area which the project is intended to serve most recently amounted to a figure of 139 individuals. The team has also pointed out that a shelter operated by SPIN in Silver City intending to assist these individuals is consistently at their full nightly capacity of 40 beds. Other supportive housing projects owned and operated by High Desert Housing in Luna and Grant counties currently have their waitlists closed due to extremely long wait times and, as the nearest alternative is located 121 miles away in Las Cruces, the need for additional supportive housing units is evident.</p>
<p>Project Financials, Projections and Assumptions</p>	<p>The Offeror has provided a detailed 15-year cash flow projection. Projections utilize a 5% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA may use a vacancy factor of 5%. It is assumed that the subject property will obtain Housing Choice Vouchers sufficient to cover all 30 units. Operating expenses for the Subject are projected at \$6,211 per unit, per annum (PUPA), after reducing Replacement Reserves (\$300 PUPA) and Social Services. These expenses are slightly above the MFA standards of \$4,300 to \$5,800. However, the developer and management have developed similar properties around the country and have a historic basis to evaluate the appropriateness of their projections. It is worth noting that the Owner pays all utility expenses for the property, which elevates total operating expenses.</p> <p>The developer intends to develop this project without obtaining any hard debt. It should be noted that Cornerstone's original RFP response included a HOME ARP request in the amount of \$8,721,574. Due to another response received, and the subsequent scoring of the two, the current available funds for this project are \$7,939,517, a difference of \$782,057. This amount will need to be reallocated from ARPA-FRF 1 to fully fund this project as well as the other award.</p> <p>Twenty percent (i.e. \$142,000 of the \$695,000) of the developer fee will be deferred. Generally, a deferral in developer fee could be used to replace a portion of a first mortgage loan and would mitigate any possible interest rate risk that may occur between commitment, and inception, of the permanent loan. This project does not include a first mortgage loan or LIHTC, however, it appears that the project can repay the deferred fee, in full, by the end of the sixth year.</p>
<p>Affordability Requirements</p>	<p>Thirty (30) units restricted to households who meet one of the qualifying populations defined in the HOME-ARP Notice; Funded rental units must comply with the rental requirements for a minimum of 35 years. The affordability period starts on the date of acceptance by HUD of a final HOME project completion report and ends 35 years later.</p>
<p>Special Conditions</p>	<ol style="list-style-type: none"> 1. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any other ER approval conditions must be met; 2. All loans and grants are subject to MFA's final underwriting for project feasibility if needed. Loan amounts may be reduced if the financing gap decreases, and/or terms (i.e., interest rate & amortization) may be revised in line with projected cash flow at closing; 3. Any changes or additions to the following development team members listed in the loan application must be approved by MFA: developer, contractor, management company, consultant or architect;

	<ol style="list-style-type: none"> 4. Financing commitments acceptable to MFA prior to funding on all funding sources; 5. Approval of plans/construction monitoring/draws by MFA’s Architectural Services Representative or a third party acceptable to MFA (i.e., hired by MFA, investor or primary construction lender) and shared with MFA. Cost to be paid by applicant; 6. Housing vouchers or other sources of funding to cover operating expenses must be in place prior to funding; 7. Other conditions as may be determined by staff; and 8. Subject to availability of funds.
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MFA Commitments to Other Projects	<p><u>High Desert Housing Corporation</u> \$0</p> <p><u>BlueLine Development, Inc.</u> \$0</p> <p><u>Supporting People in Need (S.P.I.N.)</u> \$0</p>		
MFA Exposure	Total MFA Exposure: None (excludes LIHTC, grants and loans pending approval).		
<u>Risk Factors</u>	<ol style="list-style-type: none"> 1. Market – Medium (significant demand for proposed property in Southwestern NM) 2. Construction – Medium (construction material pricing remains volatile, however, the developer is experienced) 3. Developer – Low (experienced development team, new to MFA) 4. Guarantor – N/A 5. General Partner/Managing Member – Low (i.e. the developer) 6. Community Opposition – Medium (PSH project, municipality is donating land) 7. Financing – Low (project anticipates little-to-no debt) 		
Summary & Recommendation	The proposed project presents a favorable risk profile and is recommended for approval. In addition to the approval of this project for an award, an additional \$782,057 from the ARPA-FRF 1 allocation to fully award this project’s request.		
Prepared by	George Maestas, Director of Housing Development	Date	10/31/2022
Reviewed by	Jeff Payne, Chief Lending Officer	Date	10/31/2022

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Cornerstone Apartments		Lordsburg				
Total Development Cost	\$ 8,863,547		NC	30	1-BED	30% & 50% AMI
Borrower	A to-be-determined, LLLP					
Management	High Desert Housing Corporation		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	BlueLine Development, Inc. or related LLC		NC			
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
HOME-ARP Grant INFORMATION			NUMBER OF RESTRICTED UNITS:		30	
Funds Available as of:	10/31/2022	\$10,422,695				
	MFA Guidelines	Grant Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	NA	\$8,721,574				
Rates	NA	N/A				
Loan Fees	NA	NA				
Maximum Loan Term	NA	NA				
Loan Amortization	NA	NA				
Lien Position	NA	NA				
Affordability Requirements	Min. 15 yrs., @ or below 60% AMI	35 yrs., 25 units @ or below 30% AMI, 5 units @ or below 50% AMI				
DSCR	NA	NA				
Scoring Criteria	NA	NA				
Scoring Criteria	Minimum 60 out of 100 possible points	75				

Run Date/Time: 11/9/2022 9:20 AM

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Cornerstone Apartments	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ -	0%	\$ -
Construction Hard Costs		\$ 4,280,636	48%	\$ 186.11
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 1,965,405	22%	\$ 85.45
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 354,799	4%	\$ 15.43
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 784,234	9%	\$ 34.10
Permanent Financing Costs (fees, title/recording, etc)		\$ 65,000	1%	\$ 2.83
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 85,500	1%	\$ 3.72
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ -	0%	\$ -
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 633,000	7%	\$ 27.52
Developer Fees (inc consultant fees)		\$ 695,000	8%	\$ 30.22
Total Development Costs (TDC)		\$ 8,863,574	100%	\$ 385.37
TDC w/o Land, Reserves & Commercial		\$ 8,230,574	93%	\$ 357.85

*Gross square footage: 23,000

CONSTRUCTION SOURCES				
Project:	Cornerstone Apartments	Total	% of Total	Per Unit
Construct. Lender - 1st Lien		\$ -	0.0%	\$ -
2nd Lien holder		\$ -	0.0%	\$ -
3rd Lien holder		\$ -	0.0%	\$ -
Deferred Developer Fee		\$ 142,000	1.6%	\$ 4,733
LIHTC Equity			0.0%	\$ -
Grant	MFA HOME-ARP	\$ 8,721,574	98.4%	\$ 290,719
Other Equity		\$ -	0.0%	\$ -
Other source			0.0%	\$ -
Total Construction Sources		\$ 8,863,574	100.0%	\$ 295,452

PERMANENT SOURCES				
Project:	Cornerstone Apartments	Total	% of Total	Per Unit
Grant	MFA HOME-ARP	\$ 7,939,517	89.6%	\$ 264,651
Grant	Grant/Loan	\$ 782,057	8.8%	\$ 26,069
Grant	Deferred Developer Fee	\$ 142,000	1.6%	\$ 4,733
Grant		\$ -	0.0%	\$ -
Grant		\$ -	0.0%	\$ -
LIHTC Equity			0.0%	\$ -
Total Permanent Sources		\$ 8,863,574	100.0%	\$ 295,452

Appendix A: Development Cost Budget		
Cornerstone Apartments	Gross Sq. Footage:	23,000
Lordsburg	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition		\$ -
Building Acquisition	\$ -	\$ -
Other: Closing/Title Costs	\$ -	\$ -
SUBTOTAL	\$ -	\$ -
CONSTRUCTION HARD COSTS		
Demolition	\$ -	\$ -
Accessory Structures	\$ -	\$ -
Site Construction	\$ 558,903	\$ 24.30
Buildings and Structures	\$ 3,721,733	\$ 161.81
Off-Site Improvements		\$ -
Other:		\$ -
SUBTOTAL	\$ 4,280,636	\$ 186.11
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 13,563	\$ 0.59
Contractor Profit	\$ 190,352	\$ 8.28
General Requirements	\$ 550,000	\$ 23.91
Construction Contingency	\$ 493,207	\$ 21.44
Gross Receipts Tax (GRT)	\$ 443,283	\$ 19.27
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 100,000	\$ 4.35
Other: construction testing, permit & impact fees	\$ 175,000	\$ 7.61
SUBTOTAL	\$ 1,965,405	\$ 85.45
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 211,087	\$ 9.18
Architect (Supervision)	\$ 70,362	\$ 3.06
Attorney (Real Estate)	\$ 50,000	\$ 2.17
Engineer/Survey	\$ 23,350	\$ 1.02
Other : HERS Testing/ Phase 1/2, Geotechnical	\$ -	\$ -
SUBTOTAL	\$ 354,799	\$ 15.43
Hazard Insurance	\$ 24,161	\$ 1.05
Liability Insurance	\$ 45,253	\$ 1.97
Performance Bond	\$ 31,820	\$ 1.38
Interest	\$ 493,000	\$ 21.43
Origination\Discount Points	\$ 90,000	\$ 3.91
Credit Enhancement		\$ -
Inspection Fees	\$ 15,000	\$ 0.65
Title and Recording	\$ 35,000	\$ 1.52
Legal	\$ 50,000	\$ 2.17
Taxes		\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 784,234	\$ 34.10

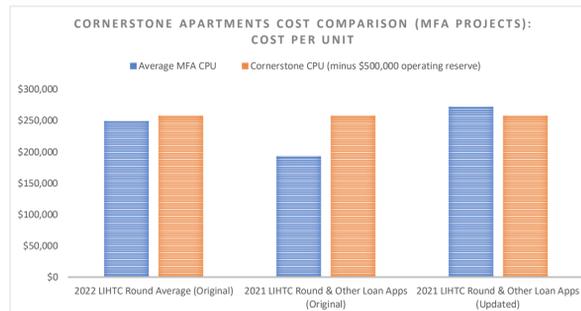
Project: Cornerstone Apartments		
PERMANENT FINANCING COSTS		
Bond Premium		\$ -
Credit Report		\$ -
Origination\Discount Points		\$ -
Credit Enhancement		\$ -
Title and Recording		\$ -
Legal	\$ 50,000	\$ 2.17
Pre-Paid MIP		\$ -
Reserves and Escrows		\$ -
Other: special limited partner fees	\$ 15,000	\$ 0.65
SUBTOTAL	\$ 65,000	\$ 2.83
SOFT COSTS		
Market Study	\$ 10,000	\$ 0.43
Environmental	\$ 5,500	\$ 0.24
Tax Credit Fees		\$ -
Appraisal	\$ 10,000	\$ 0.43
Hard Relocation Costs	\$ -	\$ -
Accounting/Cost Certification	\$ 10,000	\$ 0.43
Other: Soft Cost Contingency, Constr. Mngr	\$ 50,000	\$ 2.17
SUBTOTAL	\$ 85,500	\$ 3.72
SYNDICATION		
Organization	\$ -	\$ -
Bridge Loan		\$ -
Tax Opinion	\$ -	\$ -
Other:		\$ -
SUBTOTAL	\$ -	\$ -
TDC before Dev. Fees & Reserves	\$ 7,535,574	\$ 328
RESERVES		
Rent Up	\$ 40,000	\$ 1.74
Operating	\$ 93,000	\$ 4.04
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other: Tenant Services Reserve	\$ 500,000	\$ 21.74
SUBTOTAL	\$ 633,000	\$ 27.52
DEVELOPER FEES		
Developer Fee	\$ 695,000	\$ 30.22
Consultant Fee		\$ -
SUBTOTAL	\$ 695,000	\$ 30.22
Total Development Cost (TDC)	\$ 8,863,574	\$ 385.37
TDC w/o Land, Reserves & Commercial	\$ 8,230,574	\$ 357.85

Cornerstone Apartments Cost Justification

The big picture: while the large gap between Cornerstone Apartments' TDC and MFA's 2022 LIHTC Round Average Original TDC is concerning, these may not be the best numbers to compare due to the nature of supportive housing and construction cost trends. Since BlueLine Development, as a best practice allowed in the HOME-ARP RFP, capitalizes a reserve in the development budget to cover the cost of service delivery to persons exiting homelessness, we have subtracted this reserve (\$500,000) from the TDC (minus land and reserves) to best compare the Cornerstone Apartments costs with the costs of non-supportive housing affordable projects. After making this calculation, we found that the gap between Cornerstone Apartments' TDC and MFA's 2022 LIHTC Round Average Original TDC was minimized. It should further be noted that this comparison is between **original** TDCs based on applications rather than **updated** TDCs based on actual costs. Since construction costs continue to be volatile, we may safely assume that the gap between Cornerstone Apartments' TDC and MFA's 2022 LIHTC Round Average Updated TDC will be even narrower. To demonstrate this point, we have illustrated the cost gap differences between Cornerstone Apartments' TDC with MFA's 2021 LIHTC Round Original TDC and Updated TDC. While 2022 LIHTC Round Original TDCs will likely end up being closer to their Updated TDCs than their 2021 counterparts, due to the ability of 2022 Round applicants to better plan for rising construction costs, we do expect a similar, though smaller, increase from Original to Updated. We have further provided a comparison of Cornerstone Apartments' cost per unit with BlueLine Development's average costs per unit for projects completed or in progress in the state of Colorado. This comparison shows that Cornerstone Apartments' TDC is actually lower, on average, than other BlueLine Development projects.

Cost per Unit

	Total Development Cost	Total Development Cost Minus \$500,000 Reserve	
Total Cost per Unit	\$8,230,574	\$7,730,574	
	\$274,352	\$257,686	
Data Source	Average MFA CPU	Cornerstone CPU (minus \$500,000 operating reserve)	Difference (positive=Cornerstone>MFA; negative=Cornerstone<MFA)
2022 LIHTC Round Average (Original)	\$248,930	\$257,686	\$8,756
2021 LIHTC Round & Other Loan Apps (Original)	\$193,046	\$257,686	\$64,640
2021 LIHTC Round & Other Loan Apps (Updated)	\$271,474	\$257,686	-\$13,788
Data Source	Average BlueLine CPU	Cornerstone CPU (minus \$500,000 operating reserve)	Difference (positive=Cornerstone>BlueLine; negative=Cornerstone<BlueLine)
BlueLine Dev. CO Projects - Completed	\$246,963	\$257,686	\$10,723
BlueLine Dev. CO Projects - Under Construction	\$360,809	\$257,686	-\$103,123
BlueLine Dev. CO Projects - Awarded or Applied for Credits	\$403,551	\$257,686	-\$145,865
BlueLine Dev. CO Projects - Overall	\$337,108	\$257,686	-\$79,422



Cost per Sq. Ft.

	Total Development Cost	Total Development Cost Minus \$500,000 Reserve	
Total Cost per Sq. Ft.	\$8,230,574	\$7,730,574	
	\$358	\$336	
Data Source	Average MFA CPSF	Cornerstone CPSF (minus \$500,000 operating reserve)	Difference (positive=Cornerstone>MFA; negative=Cornerstone<MFA)
2022 LIHTC Round Average (Original)	\$271	\$336	\$65
2021 LIHTC Round & Other Loan Apps (Original)	\$220	\$336	\$116
2021 LIHTC Round & Other Loan Apps (Updated)	\$305	\$336	\$32



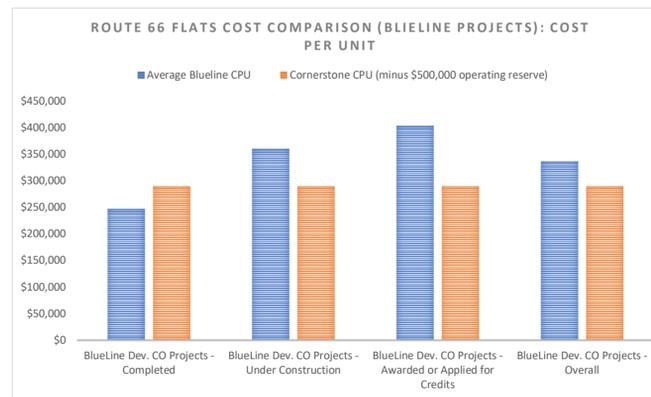
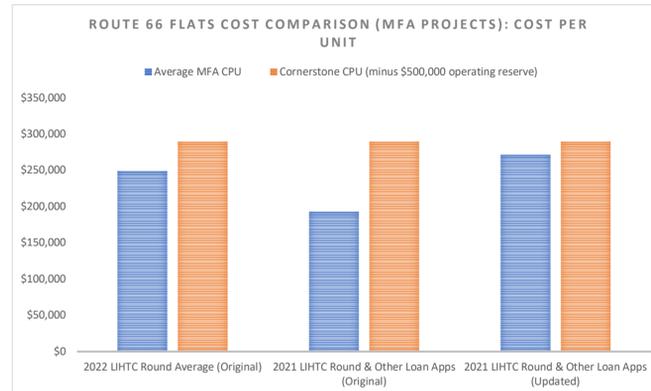
*All amounts rounded to the nearest dollar. All TDCs minus land and reserves.

Route 66 Flats Cost Justification

The big picture: while the large gap between Route 66 Flats' TDC and MFA's 2022 LIHTC Round Average Original TDC is concerning, these may not be the best numbers to compare due to the nature of supportive housing and construction cost trends. Since BlueLine Development, as a best practice allowed in the HOME-ARP RFP, capitalizes a reserve in the development budget to cover the cost of service delivery to persons exiting homelessness, we have subtracted this reserve (\$500,000) from the TDC (minus land and reserves) to best compare the Route 66 Flats costs with the costs of non-supportive housing affordable projects. After making this calculation, we found that the gap between Route 66 Flats' TDC and MFA's 2022 LIHTC Round Average Original TDC was minimized. It should further be noted that this comparison is between **original** TDCs based on applications rather than **updated** TDCs based on actual costs. Since construction costs continue to be volatile, we may safely assume that the gap between Route 66 Flats' TDC and MFA's 2022 LIHTC Round Average Updated TDC will be even narrower. To demonstrate this point, we have illustrated the cost gap differences between Cornerstone Apartment's TDC with MFA's 2021 LIHTC Round Original TDC and Updated TDC. While 2022 LIHTC Round Original TDCs will likely end up being closer to their Updated TDCs than their 2021 counterparts, due to the ability of 2022 Round applicants to better plan for rising construction costs, we do expect a similar, though smaller, increase from Original to Updated. We have further provided a comparison of Route 66 Flats' cost per unit with BlueLine Development's average costs per unit for projects completed or in progress in the state of Colorado. This comparison shows that Route 66 Flats' TDC is actually lower, on average, than other BlueLine Development projects.

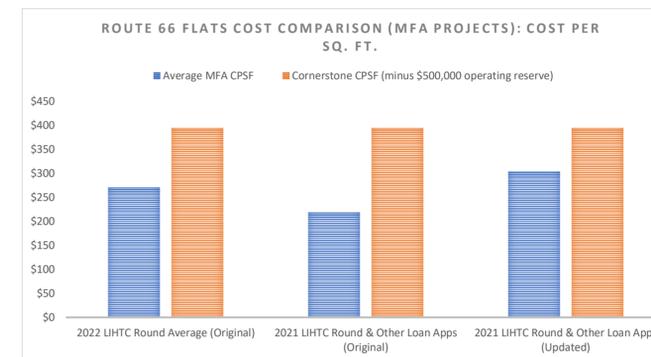
Cost per Unit

Cost per Unit			
Total Cost per Unit	Total Development Cost \$14,405,624	Total Development Cost Minus \$500,000 Reserve \$13,905,624	
Total Cost per Unit	\$300,117	\$289,701	
Data Source	Average MFA CPU	Cornerstone CPU (minus \$500,000 operating reserve)	Difference (positive=Cornerstone>MFA; negative=Cornerstone<MFA)
2022 LIHTC Round Average (Original)	\$248,930	\$289,701	\$40,771
2021 LIHTC Round & Other Loan Apps (Original)	\$193,046	\$289,701	\$96,655
2021 LIHTC Round & Other Loan Apps (Updated)	\$271,474	\$289,701	\$18,227
Data Source	Average BlueLine CPU	Cornerstone CPU (minus \$500,000 operating reserve)	Difference (positive=Cornerstone>BlueLine; negative=Cornerstone<BlueLine)
BlueLine Dev. CO Projects - Completed	\$246,963	\$289,701	\$42,738
BlueLine Dev. CO Projects - Under Construction	\$360,809	\$289,701	-\$71,109
BlueLine Dev. CO Projects - Awarded or Applied for Credits	\$403,551	\$289,701	-\$113,851
BlueLine Dev. CO Projects - Overall	\$337,108	\$289,701	-\$47,408



Cost per Sq. Ft.

Cost per Sq. Ft.			
Total Cost per Sq. Ft.	Total Development Cost \$14,405,624.00	Total Development Cost Minus \$500,000 Reserve \$13,905,624.00	
Total Cost per Sq. Ft.	\$408.84	\$394.65	
Data Source	Average MFA CPSF	Cornerstone CPSF (minus \$500,000 operating reserve)	Difference (positive=Cornerstone>MFA; negative=Cornerstone<MFA)
2022 LIHTC Round Average (Original)	\$271	\$395	\$123
2021 LIHTC Round & Other Loan Apps (Original)	\$220	\$395	\$175
2021 LIHTC Round & Other Loan Apps (Updated)	\$305	\$395	\$90



*All amounts rounded to the nearest dollar. All TDCs minus land and reserves.

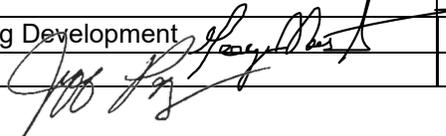
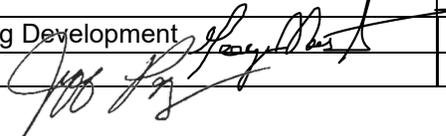
Tab 10

2022 RENTAL AWARD SUMMARY

Project Name & Address	Route 66 Flats 7600 Central Avenue SW, Albuquerque, NM 87121			
Proposed Award	\$1,701,121	HOME ARP- Homeless and At-Risk of Homelessness Rental Housing Program	Rate:	N/A - Grant
Offeror	BlueLine Development, Inc.: a Montana corporation engaged in real estate development, founded in 2011 to create and sustain affordable housing, and which has secured funding and completed construction on numerous affordable developments throughout the western states.			
Management	<p>High Desert Housing Corporation (HDH), a New Mexico nonprofit corporation formed in 2011 to provide housing to people with disabilities, including physical and developmental disabilities and chronic mental illness. High Desert Housing, formerly Cion Housing, has been providing affordable housing property management services to New Mexico residents most in need for 16 years. High Desert Housing was formed after seeing the need for more housing dedicated to special needs populations, with a focus on housing people experiencing homelessness. High Desert works with case managers, services coordinators, social workers, and other mental health professionals, and is dedicated to providing quality housing management to their residents and developing new properties to help eliminate homelessness throughout New Mexico.</p> <p>Albuquerque Health Care for the Homeless, Inc. (AHCH) will be the Service Provider for the proposed project. AHCH is a New Mexico nonprofit corporation formed in 1988 to provide a distinctive continuum of integrated services and teams to address the health-related causes of people experiencing homelessness. AHCH offers primary medical care, an on-site pharmacy, dental clinic, and behavioral health services for people experiencing homelessness.</p>			
Developer	<p>A to-be-formed Colorado Limited Liability Company made up of BlueLine Development, Inc. (75%) and High Desert Housing Corporation (25%)</p> <p>BlueLine Development, Inc., is a Montana real estate development corporation formed in 2011 by Nate Richmond, CEO and Kelly Gill, CFO, to engage in the business of acquiring, developing, constructing, owning, operating and leasing real property, and consulting with regard to the acquisition, development, construction, operation and leasing of real property. Nate Richmond has worked in the affordable housing industry for nearly 20 years and has developed more than 2,800 units of affordable housing. Kelly Gill has worked in the industry since 2005 and has completed over 40 affordable housing projects. BlueLine has experience with a variety of funding sources, including LIHTC, AHP, Housing Choice Vouchers, USDA RD, HOME, NAHASDA, RAD and NHTF. The company has completed 28 projects in Colorado, Minnesota, Montana, North Dakota, South Dakota, Utah and Wyoming and has another eleven under construction, for a total of production of 1,863 apartment units. Thirteen of BlueLine’s projects are permanent supportive housing. The company has 15 key staff members.</p> <p>BlueLine Development’s CPA-Audited Financial Statements for FYE 12/31/2021 show Unrestricted Cash of \$94.4K, Total Assets of \$7.5MM and a Net Worth of \$7.2MM, resulting in a Debt-to Worth Ratio of 0.04 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. Audited financial statements for FYE 12/31/2020 show Unrestricted Cash of \$82.0K, Total Assets of \$4.5MM and a Net Worth of \$4.2MM, resulting in a Debt-to Worth Ratio of 0.09 : 1.00. Net Income for the period was positive and Traditional Cash Flow was also positive.</p> <p>High Desert Housing Corporation will participate in the development, operation, and management of Route 66 Flats. HDH will assist in obtaining funding for the development, obtaining</p>			

	<p>housing choice vouchers, creating a management plan, and serving as the property management company.</p> <p>HDH's Internally Prepared Financial Statements for the period 1/01/2022- 5/31/3022 show Cash in the amount of \$2.5K, Total Assets of \$28.4K and a Net Worth of \$26.3K, resulting in a Debt-to-Worth Ratio of 0.08 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e., net earnings plus depreciation, amortization, and interest) was also positive. HDH does not have CPA-Audited or Reviewed Financial Statements available.</p>
<p>Project Type & Size</p>	<p>New Construction of a 48-unit permanent supportive housing project with 47 units (97.9%) serving special needs populations and one manager's unit. The forty-seven units are income restricted to households earning 30% or less of Area Median Income (AMI) and one unit is a non-revenue producing manager's unit.</p>
<p>Project Description</p>	<p>The Route 66 Flats project includes the new construction of a 48-unit permanent supportive housing project in Albuquerque, NM. The project will be located on approximately 2.11 acres and consists of a single three-story residential building comprising about 35,235 sq ft., including about 24,335 sq. ft. of rental units and about 10,900 sq. ft. of common space. There are 47 one-bedroom units and 1 two-bedroom unit (manager's unit). The project's one-bedroom units average 501 net square feet and the project's two-bedroom (market rate) unit is 775 total square feet.</p> <p>The building will have a flat roof form and the exterior will be clad in varying textures of stucco and cement board siding with brick accents at the resident amenity and entrance. An elevator and staircase will serve the building. There are forty-six surface parking spaces and four handicap spaces planned on the site. Each apartment home will have high-efficiency windows, an increased insulation rating, energy star refrigerator, oven/range, garbage disposal, microwave, and air conditioning. To maintain building efficiency, residential units are stacked off double loaded corridors on levels 1-3. The entire project will certify to National Green Building Standards.</p> <p>The project's building design includes an enclosed courtyard with barbecue, patio seating, and green space, as well as a large community garden and amenity and engagement space including the leasing office, front desk reception, communal laundry area, meeting space, offices for supportive services, flex space, large dining, and lounge space. The project is within walking distance of groceries and pharmacies, the public library, and numerous nearby bus stops.</p> <p>The development team will ensure availability of robust, appropriate, supportive, and clinical services for residents within the building upon move-in. Following Housing First principles, residents are not required to participate in services; however, Albuquerque Healthcare for the Homeless (AHCH) and the rest of the development team will ensure that services are available and easily accessible to all residents. Ongoing case management will be available to all residents weekly, bi-weekly or monthly depending on the needs and desires of the resident. Services will include but not be limited to, access to medical and dental services, case management on site, vocational services, education services, substance use counseling and more. Staff will be available to meet with residents and use creative engagement strategies to help connect them to services both on- and off-site in the surrounding community. The On-Site Manager will provide an added layer of operational and service capacity for off-hour emergencies. Round-the-clock staffing will provide residents with extra comfort and safety by always having staff nearby to react to an emergent situation.</p> <p>While one was not provided with this response, MFA will require the Developer to provide a market study for the project when the development team applies, as planned, for award in the 2023 9% LIHTC round. Other figures, however, may be cited to support the need for this project. According to a recent analysis conducted by the New Mexico Coalition to End Homelessness, over 6,500 people per year experience homelessness in the state of New Mexico but do not receive adequate assistance to help them exit homelessness. The Corporation for Supportive Housing (CSH) provides an even higher number, estimating a statewide shortage of approximately 8,400 supportive housing units. This project, by following Housing First principles, meets this demonstrated need for rapid</p>

	<p>rehousing and permanent supportive housing units. The project also fills a gap in Albuquerque and greater Bernalillo County, where homeless adults are an under-served population and very few 30% AMI units are available for extremely low-income households experiencing or coming out of homelessness. The applicant has further demonstrated the need for supportive housing in the area by providing waiting list numbers for three supportive housing properties in Albuquerque that are managed by High Desert Housing. There is a total of 29 prospective residents on waiting lists across these three properties; the waiting lists for all three properties have been closed due to high application rates. It has also been shared that High Desert Housing staff receives, on average, six calls daily from individuals seeking supportive housing. Mental health service providers also contact High Desert Housing weekly, representing patients in Albuquerque seeking housing near supportive services.</p>
<p>Project Financials, Projections and Assumptions</p>	<p>The Offeror has provided a detailed 15-year cash flow projection. Projections utilize a 5% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA may use a vacancy factor of 5%. It is assumed that the subject property will obtain Housing Choice Vouchers sufficient to cover all 47 units. Operating expenses for the Subject are projected at \$6,317 per unit, per annum (PUPA), after reducing Replacement Reserves (\$300 PUPA) and Social Services. These expenses are slightly above the MFA standards of \$4,300 to \$5,800. However, the developer and management have developed similar properties around the country and have a historic basis to evaluate the appropriateness of their projections. It is worth noting that the Owner pays all utility expenses for the property, which elevates total operating expenses.</p> <p>The developer intends to develop this project without obtaining any hard debt.</p> <p>Approximately twenty percent (i.e., \$208,000 of the \$1,015,000) of the developer fee will be deferred. Generally, a deferral in developer fee could be used to replace a portion of a first mortgage loan and would mitigate any possible interest rate risk that may occur between commitment, and inception, of the permanent loan. Deferral of the developer fee is usually allowable by a tax credit investor, provided that the project's cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. At this point, the project does not include a first mortgage loan or LIHTC; however, the ownership team intends to apply for 9% LIHTC in January 2023. It appears that the project can repay the deferred fee, in full, by the end of the second year.</p>
<p>Affordability Requirements</p>	<p>Forty-seven (47) units restricted to households who meet one of the qualifying populations defined in the HOME-ARP Notice; Funded rental units must comply with the rental requirements for a minimum of 35 years. The affordability period starts on the date of acceptance by HUD of a final HOME project completion report and ends 35 years later.</p>
<p>Special Conditions</p>	<ol style="list-style-type: none"> 1. 9% LIHTC procured prior to funding (with market study included in application to demonstrate project need); 2. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any other ER approval conditions must be met; 3. Any changes or additions to the following development team members listed in the grant application must be approved by MFA: developer, contractor, management company, consultant or architect; 4. Financing commitments acceptable to MFA prior to funding on all funding sources; 5. Approval of plans/construction monitoring/draws by MFA's Architectural Services Representative or a third party acceptable to MFA (i.e. hired by MFA, investor or primary construction lender) and shared with MFA. Cost to be paid by applicant; 6. Housing Vouchers or other source of long-term operating subsidy must be in place prior to funding; 7. Other conditions as may be determined by staff; and 8. Subject to availability of funds.

MFA Commitments to Other Projects	<p><u>High Desert Housing Corporation</u></p> <p>\$0</p> <p><u>BlueLine Development, Inc.</u></p> <p>\$0</p>		
MFA Exposure	<p>Total MFA Exposure: None.</p>		
<u>Risk Factors</u>	<ol style="list-style-type: none"> 1. Market – Low (Strong demand for proposed property in Albuquerque MSA) 2. Construction – Medium (construction material pricing remains volatile, however, the developer is experienced plus the tax credit investor will provide additional oversight and controls) 3. Developer – Low (experienced development team, though new to MFA) 4. Guarantor – N/A 5. General Partner/Managing Member – Low (i.e. the developer) 6. Community Opposition – Low (project claims to have identified a lead partner who will be active in ongoing community dialogue and activities, including participating in community improvement activities, soliciting neighborhood input on project plans, identifying neighborhood needs or preference for the design, receiving and responding to community concerns, and providing regular updates on the development process) 7. Financing – Low (project anticipates little-to-no debt) 		
Summary & Recommendation	<p>The proposed project presents a favorable risk profile and is recommended for approval.</p>		
Prepared by	<p>Hannah Faulwell, Preservation Program Specialist</p> 	<p>Date</p>	<p>10/31/2022</p>
Reviewed by	<p>George Maestas, Director of Housing Development</p> 	<p>Date</p>	<p>10/31/2022</p>
Reviewed by	<p>Jeff Payne, Chief Lending Officer</p> 	<p>Date</p>	<p>10/31/2022</p>

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Route 66 Flats		Albuquerque				
Total Development Cost	\$ 15,753,687		NC	48	1-BED and 2-BED	30% AMI
Borrower	Route 66 Flats, LLLP					
Management	High Desert Housing Corporation		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	BlueLine Development, Inc.		NC			
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
HOME-ARP Grant INFORMATION			NUMBER OF RESTRICTED UNITS:		47	
Funds Available as of:	10/31/2022	\$10,422,695				
	MFA Guidelines	Grant Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	NA	\$1,701,121				
Rates	NA	N/A				
Loan Fees	NA	NA				
Maximum Loan Term	NA	NA				
Loan Amortization	NA	NA				
Lien Position	NA	NA				
Affordability Requirements	Min. 15 yrs., @ or below 60% AMI	35 yrs., 47 units @ or below 30% AMI				
DSCR	NA	NA				
Scoring Criteria	NA	NA				
Scoring Criteria	Minimum 60 out of 100 possible points	78				

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TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Route 66 Flats	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 635,700	4%	\$ 18.04
Construction Hard Costs		\$ 7,623,636	48%	\$ 216.37
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 3,651,720	23%	\$ 103.64
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 526,215	3%	\$ 14.93
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 1,092,553	7%	\$ 31.01
Permanent Financing Costs (fees, title/recording, etc)		\$ 161,000	1%	\$ 4.57
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 225,500	1%	\$ 6.40
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 110,000	1%	\$ 3.12
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 712,363	5%	\$ 20.22
Developer Fees (inc consultant fees)		\$ 1,015,000	6%	\$ 28.81
Total Development Costs (TDC)		\$ 15,753,687	100%	\$ 447.10
TDC w/o Land, Reserves & Commercial		\$ 14,405,624	91%	\$ 408.84

*Gross square footage: 35,235

CONSTRUCTION SOURCES				
Project:	Route 66 Flats	Total	% of Total	Per Unit
Construct. Lender - 1st Lien		\$ -	0.0%	\$ -
2nd Lien holder		\$ -	0.0%	\$ -
3rd Lien holder		\$ -	0.0%	\$ -
Deferred Developer Fee		\$ 208,000	1.3%	\$ 4,333
LIHTC Equity		\$ 12,143,445	77.1%	\$ 252,988
Grant	MFA HOME-ARP	\$ 1,701,121	10.8%	\$ 35,440
Other Equity		\$ -	0.0%	\$ -
Other source	City of Albuquerque ARPA	\$ 1,701,121	10.8%	\$ 35,440
Total Construction Sources		\$ 15,753,687	100.0%	\$ 328,202

PERMANENT SOURCES				
Project:	Route 66 Flats	Total	% of Total	Per Unit
Grant	MFA HOME-ARP	\$ 1,701,121	10.8%	\$ 35,440
Grant	City of Albuquerque ARPA	\$ 1,701,121	10.8%	\$ 35,440
Grant	Deferred Developer Fee	\$ 208,000	1.3%	\$ 4,333
Grant		\$ -	0.0%	\$ -
Grant		\$ -	0.0%	\$ -
LIHTC Equity		\$ 12,143,445	77.1%	\$ 252,988
Total Permanent Sources		\$ 15,753,687	100.0%	\$ 328,202

Appendix A: Development Cost Budget		
Route 66 Flats	Gross Sq. Footage:	35,235
Albuquerque	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ 635,700	\$ 18.04
Building Acquisition	\$ -	\$ -
Other: Closing/Title Costs	\$ -	\$ -
SUBTOTAL	\$ 635,700	\$ 18.04
CONSTRUCTION HARD COSTS		
Demolition	\$ -	\$ -
Accessory Structures	\$ -	\$ -
Site Construction	\$ 850,923	\$ 24.15
Buildings and Structures	\$ 6,212,468	\$ 176.32
Off-Site Improvements		\$ -
Other:	\$ 560,245	\$ 15.90
SUBTOTAL	\$ 7,623,636	\$ 216.37
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 582,983	\$ 16.55
Contractor Profit	\$ 319,127	\$ 9.06
General Requirements	\$ 940,114	\$ 26.68
Construction Contingency	\$ 491,365	\$ 13.95
Gross Receipts Tax (GRT)	\$ 743,131	\$ 21.09
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 300,000	\$ 8.51
Other: Builder's Risk Insurance, P&P Bond, Building Permits	\$ 275,000	\$ 7.80
SUBTOTAL	\$ 3,651,720	\$ 103.64
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 368,524	\$ 10.46
Architect (Supervision)	\$ 122,841	\$ 3.49
Attorney (Real Estate)	\$ 15,000	\$ 0.43
Engineer/Survey	\$ 19,850	\$ 0.56
Other : HERS Testing/ Phase 1/2, Geotechnical	\$ -	\$ -
SUBTOTAL	\$ 526,215	\$ 14.93
FINANCING COSTS		
Hazard Insurance	\$ 42,455	\$ 1.20
Liability Insurance	\$ 80,211	\$ 2.28
Performance Bond	\$ 55,887	\$ 1.59
Interest	\$ 681,000	\$ 19.33
Origination\Discount Points	\$ 83,000	\$ 2.36
Credit Enhancement		\$ -
Inspection Fees	\$ 20,000	\$ 0.57
Title and Recording	\$ 35,000	\$ 0.99
Legal	\$ 95,000	\$ 2.70
Taxes		\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 1,092,553	\$ 31.01

Project: Route 66 Flats		
PERMANENT FINANCING COSTS		
Bond Premium		\$ -
Credit Report		\$ -
Origination\Discount Points	\$ 76,000	\$ 2.16
Credit Enhancement		\$ -
Title and Recording	\$ 35,000	\$ 0.99
Legal	\$ 50,000	\$ 1.42
Pre-Paid MIP		\$ -
Reserves and Escrows		\$ -
Other:		\$ -
SUBTOTAL	\$ 161,000	\$ 4.57
SOFT COSTS		
Market Study	\$ 10,000	\$ 0.28
Environmental	\$ 5,500	\$ 0.16
Tax Credit Fees	\$ 125,000	\$ 3.55
Appraisal	\$ 10,000	\$ 0.28
Hard Relocation Costs	\$ -	\$ -
Accounting/Cost Certification	\$ 10,000	\$ 0.28
Other: Soft Cost Contingency, Constr. Mngr	\$ 65,000	\$ 1.84
SUBTOTAL	\$ 225,500	\$ 6.40
SYNDICATION		
Organization	\$ 100,000	\$ 2.84
Bridge Loan		\$ -
Tax Opinion	\$ 10,000	\$ 0.28
Other:		\$ -
SUBTOTAL	\$ 110,000	\$ 3.12
TDC before Dev. Fees & Reserves	\$ 14,026,324	\$ 398
RESERVES		
Rent Up	\$ 62,363	\$ 1.77
Operating	\$ 150,000	\$ 4.26
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other:	\$ 500,000	\$ 14.19
SUBTOTAL	\$ 712,363	\$ 20.22
DEVELOPER FEES		
Developer Fee	\$ 1,015,000	\$ 28.81
Consultant Fee		\$ -
SUBTOTAL	\$ 1,015,000	\$ 28.81
Total Development Cost (TDC)	\$ 15,753,687	\$ 447.10
TDC w/o Land, Reserves & Commercial	\$ 14,405,624	\$ 408.84

Tab 11

2022 RENTAL AWARD SUMMARY

Project Name & Address	Copper Terrace 12801 Copper Avenue NE, Albuquerque (Bernalillo County), NM 88123			
Proposed Award	MFA – Fiscal Recovery Funds (FRF) Grant	\$1,800,000	Rate	N/A - Grant
Borrower	Copper Terrace Limited Partnership LLLP , a limited liability limited partnership that is 0.01% owned by YES Copper Terrace, LLC a New Mexico limited liability company, with YES Housing, Inc., as its sole member, and 99.99% owned by Enterprise Community Investment Inc. Or YES Housing Inc. as sponsor entity.			
Management	Monarch Properties, Inc. is a privately held Texas corporation chartered in 1982. Monarch provides third-party, full-service management of multifamily apartment communities throughout Texas, New Mexico and Oklahoma. The corporate office is located in Albuquerque, New Mexico. The total apartments under management have consistently averaged more than 7,500 with over 280 team members employed.			
Developer	<p>YES Housing Inc. (YES) was formed in 1990 as a 501(c)(3) New Mexico nonprofit Community Development Corporation. The company has a current full-time staff of 24 including Michelle DenBleyker, Senior Vice President of Development, an experienced developer, as well as Holly Barela, the company’s Senior Vice President, CFO and COO. YES has constructed or rehabilitated over 2,400 units of affordable rental housing in New Mexico, Arizona & Texas. Its staff has experience in accessing Federal, State and local funding sources, private activity bonds, 501(c)(3) bonds, tax exempt bonds and the HUD Section 202 program to acquire, rehabilitate and construct new developments. On several past projects, YES Housing Inc. has been designated by MFA as a Community Housing Development Organization (CHDO).</p> <p>Consolidated (i.e. includes affiliates) audited financial statements for FYE 12/31/2020 show Unrestricted Cash of \$5.5M, Total Assets of \$163M, a Net Worth of \$64.6M, a Debt-to-Worth ratio of 1.52 to 1.00, strong profit and positive traditional cash flow (i.e. net earnings plus non-cash charges). Consolidated (i.e. includes affiliates) audited financial statements for FYE 12/31/2021 show Unrestricted Cash of \$7.1M, Total Assets of \$179.5M, a Net Worth of \$83.6M, a Debt-to-Worth ratio of 1.14 to 1.00, strong profit and positive traditional cash flow (i.e. net earnings plus non-cash charges).</p>			
Project Type & Size	Acquisition & Rehabilitation of an existing 96-unit multifamily project and the New Construction of four additional units comprising a total of 100 units), with 25 units (25%) serving Households with Children and providing HUD Section 8 project-based rental assistance subsidy to 80 of the 100 apartments. Five of the units are income restricted to households earning 30% or less of Area Median Income (AMI). Thirty-one of the units are income-restricted to households earning 50% or less of AMI. Fifty-four units are income restricted to households earning 60% or less of AMI. Ten units will be leased at market rates.			
Project Description	At the time of MFA Board’s June 2020 approval of 9% LIHTCs and loans, Copper Terrace Apartments involved the acquisition and rehabilitation of an existing 96-unit multifamily project previously named Vista Grande Apartments, located in Northeast Albuquerque, NM. The property was originally built in 1974 and suffered from age-related obsolescence requiring a substantial rehabilitation. The project was initially intended to include nine midrise residential buildings and one community/rental office building for a total gross square-footage of 92,997 square feet. As planned, Copper Terrace closed on all financing and began construction in November 2020. However, on March 23, 2021 an individual broke into and set fire to Building A, which was already 75% complete. The damages from the fire were so extensive as to necessitate the complete demolition of the building and the re-pouring of the foundation. The fire and subsequent new construction of Building A created major construction timeline delays and increased project costs. This event triggered a lengthy negotiation phase with the contractor, insurance company, and investors in an effort to move forward with the project. Ultimately, the insurance claim resulted in a significantly smaller payout than required to complete the project as intended. In order to obtain the necessary capital to proceed, the developer restructured the project to include 4 additional market rate units (resulting in 100 total units) and secured 46 additional Project Based Vouchers to increase the project’s rental income and debt capacity. Despite these efforts, the project continues to have a significant funding gap resulting in this grant request.			

	<p>With the project restructuring, Copper Terrace will still include nine residential buildings, but with 100 total units. The combined gross square-footage of the residential and community spaces will be 99,137 square feet. There will be 27 one-bedroom units, 45 two-bedroom units, 24 three-bedroom townhouse-style units and 4 four-bedroom units. The project's one-bedroom units average 568 net square feet, the two-bedroom units average 816 net square feet, the three-bedroom units average 963 net square feet and the four-bedroom units average 1,134 net square feet. The property has 80 apartments that participate in the HUD Section 8 Project-Based Housing Assistance Payments (HAP) Program. There are 10 market-rate units.</p> <p>The MFA-ordered, Vogt Strategic Insights (VSI) market study, dated 4/27/2020, advises that the subject project is feasible as presented. The report concludes that, post-renovation, a market will continue to exist for the (previously) 96-unit project, Copper Terrace, in Albuquerque, NM. The subject site is surrounded by residential properties in good-to-excellent condition, which adds to the desirability of the neighborhood. A park, southeast of the site, contains tennis and basketball courts, a playground and picnic areas. Residents with children are in close proximity to major public school, which adds to the site's appeal. The project's site is located in close proximity to opportunities for shopping, employment, recreation, entertainment and education. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability.</p>
<p>Project Financials, Projections</p>	<p>Projections and Assumptions: The company has provided an updated 15-year cash flow projection. Operating expenses for the Subject are projected at \$5,735 per unit, per annum (PUPA), after reducing for Replacement Reserves (\$350 PUPA) and Social Services. These expenses are within the MFA standards of \$4,300 to \$5,800.</p> <p>Projections utilize a 7% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA may use the market study vacancy factor but not less than 5%. The subject property maintains a HUD Section 8 Housing Assistance Payments (HAP) contract on 80 of their 100 apartments (80%).</p> <p>The Debt Service Coverage Ratio (DSCR) on all hard debt (i.e. Rocky Mountain CRC's \$6,575,000 first mortgage loan, MFA's \$1,000,000 HOME loan and MFA's \$500,000 NMHTF permanent loan) is projected to be 1.23 to 1.00 in the first year, increasing to 1.36 to 1.00 by year 15. This ratio is within MFA's underwriting standards of a range between 1.20 - 1.40 : 1.00. The interest rate for the first mortgage loan is 4.7%. MFA's underwriting guidelines typically require the preparer to adjust the LOI rate upwards by 50 basis points for underwriting, however, with the project already under construction, the interest rate has been finalized between the borrower and lender. If, for any reason, the financial state of the project cannot meet MFA's required DSCR, then the first mortgage permanent loan can be reduced and that portion of it replaced by a cash flow loan or additional deferred developer fee from YES.</p> <p>Currently, it appears that 2.5% (\$37,206) of the \$1,500,000 developer fee will be deferred. Deferral of the developer fee is usually allowable by the investor, provided that cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. Lender projections indicate that the Subject would fully pay the deferred developer fee by the end of the first year.</p> <p>Tax credits will be sold to an investor(s) at 95 cents on the dollar (i.e. the high end of the 2022 MFA 88 to 95 cents guideline). Every one-cent drop in that price would create the need for additional \$123K in capital to be filled by either deferring developer fee or a cash-flow-only loan from YES.</p>
<p>Affordability Requirements</p>	<p>Ninety (90) units for households at or below 60% of the Area Median Income (AMI) for a 40-year period from recording after which time the LURA will terminate.</p>

Repayment and Disbursement	Multiple disbursements upon evidence of costs incurred, not more frequently than monthly
Special Conditions	<ol style="list-style-type: none"> 1. All loans and grants are subject to MFA's final underwriting for project feasibility if needed. Loan amounts may be reduced if the financing gap decreases, and/or terms (i.e. interest rate & amortization) may be revised in line with projected cash flow at closing; 2. Any changes or additions to the following development team members listed in the loan application must be approved by MFA: developer, contractor, management company, consultant or architect; 3. Financing commitments acceptable to MFA prior to funding on all funding sources; 4. Approval of plans/construction monitoring/draws by MFA's Architectural Services Representative or a third party acceptable to MFA (i.e. hired by MFA, investor or primary construction lender) and shared with MFA. Cost to be paid by applicant; 5. Other conditions as may be determined by staff; and 6. Subject to availability of funds.

MFA Commitments to Other Projects	<u>YES Housing Inc.</u>																																																																						
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	2018 HOME- Hope Village \$ 630,000 2018 NMHTF- Hope Village \$ 1,300,000 2018 NHTF- Hope Village \$ 3,000,000 2019 LIHTC (9%) – Skyview Terrace \$ 1,157,325 2019 HOME- Skyview Terrace \$ 600,000 2019 NMHTF- Skyview Terrace \$ 1,000,000 2020 STC- Hope Village \$ 500,000 2020 LIHTC (9%)- Copper Terrace \$ 1,232,333 2020 HOME- Copper Terrace \$ 1,000,000 2020 NMHTF- Copper Terrace \$ 1,000,000 2022 LIHTC- Calle Cuarta \$ 1,078,540 2022 HOME CHDO- Calle Cuarta \$ 915,000 2022 NMHTF- Calle Cuarta \$ 1,000,000 2022 NHTF- Calle Cuarta \$ 400,000 (1) Risk Share loans carry 10% MFA risk (2) Bonds are non-recourse to MFA (3) Loan Balances as of 10/2/2022		
MFA Exposure	Total MFA Exposure: \$24,938,258 (excludes LIHTC & loans pending approval)		
Risk Factors	<ol style="list-style-type: none"> 1. Market – Low (market study shows strong demand) 2. Construction – Medium (construction material pricing remains volatile, however, the developer is experienced plus the investor and main construction lender will provide additional oversight and controls) 3. Developer – Low (experienced developer) 4. Guarantor – Low (strong balance sheet) 5. General Partner/Managing Member – Low (experienced developer) 6. Community Opposition – Low (existing project). 7. Financing – Low 		
Summary & Recommendation	The proposed project presents a favorable risk profile and is recommended for approval.		
Prepared by	Tim Martinez, Development Loan Manager 	Date	10/31/2022
Reviewed by	George Maestas, Director of Housing Development 	Date	10/31/2022

PROJECT INFORMATION SUMMARY					
Project Name	City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Copper Terrace	Albuquerque				
Total Development Cost	\$ 23,207,144	AR	100	1-BED, 2-BED, 3-BED & 4-BED	30%, 50%, 60%, and Market Rate
Borrower	Copper Terrace Limited Partnership, LLLP				
Management	Monarch Properties, Inc.		YEAR BUILT (AR)	LIHTC ALLOC	4% or 9%
Developer	YES Housing Inc.		AR	\$ 1,232,333	9%
		NC =	New Construction		
		AR =	Acquisition/Rehab		
		AMI =	Area Median Income		
		MR =	Market Rate apartments		
FISCAL RECOVERY FUNDS (FRF) GRANT INFORMATION			NUMBER OF FRF UNITS:		90
Funds Available as of:	11/01/22	\$8,750,000			
	MFA Guidelines	Grant Request	EXCEPTIONS/CONDITIONS/NOTES		
Maximum Loan Amount	No Maximum	\$1,800,000			
Rates	0%	0%	Grant		
Loan Fees	N/A	N/A	Grant		
Maximum Loan Term	40 years	40 years	Grant (no repayment over 40 year term)		
Loan Amortization	N/A	N/A	Grant		
Lien Position	N/A	N/A	Grant		
Affordability Requirements	40 yrs, max 60% AMI	40 yrs, 90 units at 60% AMI			
DSCR	1.2 to 1.4 to 1 on all must-pay debt	within guidelines	Cash flow shows all-in DSCR beginning at 1.23 in Year 1 to 1.36 in Year 15		
Scoring Criteria	NA	NA			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY - INITIAL APPROVAL				
Project:	Copper Terrace	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 4,115,000	23%	\$ 44.25
Construction Hard Costs		\$ 6,912,000	39%	\$ 74.32
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 2,687,583	15%	\$ 28.90
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 534,145	3%	\$ 5.74
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 818,750	5%	\$ 8.80
Permanent Financing Costs (fees, title/recording, etc)		\$ 74,500	0%	\$ 0.80
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 762,506	4%	\$ 8.20
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 30,000	0%	\$ 0.32
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 429,760	2%	\$ 4.62
Developer Fees (inc consultant fees)		\$ 1,500,000	8%	\$ 16.13
Total Development Costs (TDC)		\$ 17,864,244	100%	\$ 192.09
TDC w/o Land, Reserves & Commercial		\$ 16,604,484	93%	\$ 179.10

*Gross square footage: 92,997

TOTAL DEVELOPMENT COST INFORMATION SUMMARY - CURRENT REQUEST				
Project:	Copper Terrace	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 4,100,222	18%	\$ 41.36
Construction Hard Costs		\$ 10,330,414	45%	\$ 104.20
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 3,967,849	17%	\$ 40.02
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 647,540	3%	\$ 6.53
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 1,136,100	5%	\$ 11.46
Permanent Financing Costs (fees, title/recording, etc)		\$ 93,250	0%	\$ 0.94
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 927,377	4%	\$ 9.35
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 61,282	0%	\$ 0.62
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 443,110	2%	\$ 4.47
Developer Fees (inc consultant fees)		\$ 1,500,000	6%	\$ 15.13
Total Development Costs (TDC)		\$ 23,207,144	100%	\$ 234.09

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TDC w/o Land, Reserves & Commercial	\$ 21,934,034	95%	\$ 220.70
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*Gross square footage: 99,137

CONSTRUCTION SOURCES - CURRENT REQUEST				
Project:	Copper Terrace	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Wells Fargo	\$ 12,470,957	53.7%	\$ 124,710
2nd Lien holder	MFA HOME CHDO loan (partial release of total)	\$ 900,000	3.9%	\$ 9,000
3rd Lien holder	MFA NMHTF loan	\$ 1,000,000	4.3%	\$ 10,000
Deferred Developer Fee	Yes Housing	\$ 1,500,000	6.5%	\$ 15,000
Other source	YES Housing equity/GP contribution	\$ 465,426	2.0%	\$ 4,654
Other source	MFA FRF Grant	\$ 1,800,000	7.8%	\$ 18,000
LIHTC Equity	Equity proceeds by TDB Equity Investor	\$ 3,475,179	15.0%	\$ 34,752
Other source	iCast NM Gas Rebate	\$ 101,236	0.4%	\$ 1,012
Other source	Insurance Proceeds	\$ 1,409,296	6.1%	\$ 14,093
Other source	HAP payments to property during relocation	\$ 85,050	0.4%	\$ 851
Total Construction Sources		\$ 23,207,144	93.1%	\$ 216,116

Check TDC in Development Cost Budget

PERMANENT SOURCES - CURRENT REQUEST				
Project:	Copper Terrace	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Rocky Mountain CRC	\$ 6,575,000	28.3%	\$ 65,750
2nd Lien holder	MFA HOME CHDO loan	\$ 1,000,000	4.3%	\$ 10,000
3rd Lien holder	MFA NMHTF loan	\$ 500,000	2.2%	\$ 5,000
Deferred Developer Fee	Yes Housing	\$ 37,206	0.2%	\$ 372
Other source	YES Housing equity/GP contribution	\$ 465,426	2.0%	\$ 4,654
Other source	MFA FRF Grant	\$ 1,800,000	7.8%	\$ 18,000
LIHTC Equity	Equity proceeds by TDB Equity Investor	\$ 11,233,930	48.4%	\$ 112,339
Other source	iCast NM Gas Rebate	\$ 101,236	0.4%	\$ 1,012
Other source	Insurance Proceeds	\$ 1,409,296	6.1%	\$ 14,093
Other source	HAP payments to property during relocation	\$ 85,050	0.4%	\$ 851
Total Permanent Sources		\$ 23,207,144	28.3%	\$ 65,750

Appendix A: Development Cost Budget				Total GSF (Initial Approval) =	Total GSF (Current Request) =
Copper Terrace				92997	99137
Albuquerque	TOTAL COST (Initial Approval)	TOTAL COST (Current Request)	COST DIFFERENCE (Current - Initial)	COST/GSF (Initial Approval)	COST/GSF (Current Request)
ACQUISITION COSTS					
Land Acquisition	\$ 830,000	\$ 830,000	\$ -	\$ 8.93	\$ 8.37
Building Acquisition	\$ 3,270,000	\$ 3,270,000	\$ -	\$ 35.16	\$ 32.98
Other: Closing/Title Costs	\$ 15,000	\$ 222	\$ (14,778)	\$ 0	\$ 0
SUBTOTAL	\$ 4,115,000	\$ 4,100,222	\$ (14,778)	\$ 44.25	\$ 41.36
CONSTRUCTION HARD COSTS					
Demolition	\$ 585,302	\$ 695,580	\$ 110,278	\$ 6.29	\$ 7.02
Accessory Structures	\$ 180,512	\$ 332,827	\$ 152,315	\$ 1.94	\$ 3.36
Site Construction	\$ 1,235,676	\$ 665,440	\$ (570,236)	\$ 13.29	\$ 6.71
Buildings and Structures	\$ 4,910,510	\$ 8,636,567	\$ 3,726,057	\$ 52.80	\$ 87.12
Off-Site Improvements		\$ -	\$ -	\$ -	\$ -
Other:		\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 6,912,000	\$ 10,330,414	\$ 3,418,414	\$ 74.32	\$ 104.20
OTHER CONSTRUCTION COSTS					
Contractor Overhead	\$ 152,064	\$ 206,608	\$ 54,544	\$ 1.64	\$ 2.08
Contractor Profit	\$ 456,192	\$ 677,775	\$ 221,583	\$ 4.91	\$ 6.84
General Requirements	\$ 456,192	\$ 619,825	\$ 163,633	\$ 4.91	\$ 6.25
Construction Contingency	\$ 691,200	\$ 1,176,060	\$ 484,860	\$ 7.43	\$ 11.86
Gross Receipts Tax (GRT)	\$ 682,577	\$ 939,741	\$ 257,164	\$ 7.34	\$ 9.48
Landscaping			\$ -	\$ -	\$ -
Furniture, Fixtures, & Equipment	\$ 75,000	\$ 125,000	\$ 50,000	\$ 0.81	\$ 1.26
Other: Builder's Risk Insurance, P&P Bond, Building Permits	\$ 174,358	\$ 222,840	\$ 48,482	\$ 1.87	\$ 2.25
SUBTOTAL	\$ 2,687,583	\$ 3,967,849	\$ 1,280,266	\$ 28.90	\$ 40.02
PROFESSIONAL SERVICES/FEES					
Architect (Design)	\$ 262,945	\$ 351,300	\$ 88,355	\$ 2.83	\$ 3.54
Architect (Supervision)	\$ 134,200	\$ 134,200	\$ -	\$ 1.44	\$ 1.35
Attorney (Real Estate)	\$ 20,000	\$ 20,000	\$ -	\$ 0.22	\$ 0.20
Engineer/Survey	\$ 25,000	\$ 25,000	\$ -	\$ 0.27	\$ 0.25
Other : HERS Testing/ Phase 1/2, Geotechnical	\$ 92,000	\$ 117,040	\$ 25,040	\$ 0.99	\$ 1.18
SUBTOTAL	\$ 534,145	\$ 647,540	\$ 113,395	\$ 5.74	\$ 6.53
Other Construction Costs					
Hazard Insurance	\$ -		\$ -	\$ -	\$ -
Liability Insurance	\$ 50,000		\$ (50,000)	\$ 0.54	\$ -
Performance Bond	\$ -	\$ 130,181	\$ 130,181	\$ -	\$ 1.31
Interest	\$ 450,000	\$ 652,333	\$ 202,333	\$ 4.84	\$ 6.58
Origination\Discount Points	\$ 90,000	\$ 105,604	\$ 15,604	\$ 0.97	\$ 1.07
Credit Enhancement		\$ 3,000	\$ 3,000	\$ -	\$ 0.03
Inspection Fees	\$ 32,000	\$ 78,000	\$ 46,000	\$ 0.34	\$ 0.79
Title and Recording	\$ 106,750	\$ 96,904	\$ (9,846)	\$ 1.15	\$ 0.98
Legal	\$ 40,000	\$ 47,615	\$ 7,615	\$ 0.43	\$ 0.48
Taxes	\$ 50,000	\$ 22,463	\$ (27,537)	\$ 0.54	\$ 0.23
Other:			\$ -	\$ -	\$ -
SUBTOTAL	\$ 818,750	\$ 1,136,100	\$ 317,350	\$ 8.80	\$ 11.46
Project: Copper Terrace					
PERMANENT FINANCING COSTS					
Bond Premium			\$ -	\$ -	\$ -
Credit Report			\$ -	\$ -	\$ -
Origination\Discount Points	\$ 49,500	\$ 65,750	\$ 16,250	\$ 0.53	\$ 0.66
Credit Enhancement			\$ -	\$ -	\$ -
Title and Recording	\$ 25,000	\$ 25,000	\$ -	\$ 0.27	\$ 0.25

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Legal		\$ 2,500	\$ 2,500	\$ -	\$ 0.03
Pre-Paid MIP			\$ -	\$ -	\$ -
Reserves and Escrows			\$ -	\$ -	\$ -
Other:			\$ -	\$ -	\$ -
SUBTOTAL	\$ 74,500	\$ 93,250	\$ 18,750	\$ 0.80	\$ 0.94
SOFT COSTS					
Market Study	\$ 8,500	\$ 8,500	\$ -	\$ 0.09	\$ 0.09
Environmental	\$ 3,250	\$ 4,400	\$ 1,150	\$ 0.03	\$ 0.04
Tax Credit Fees	\$ 96,256	\$ 96,256	\$ -	\$ 1.04	\$ 0.97
Appraisal	\$ 5,000	\$ 14,000	\$ 9,000	\$ 0.05	\$ 0.14
Hard Relocation Costs	\$ 528,000	\$ 420,000	\$ (108,000)	\$ 5.68	\$ 4.24
Accounting/Cost Certification	\$ 30,000	\$ 30,000	\$ -	\$ 0.32	\$ 0.30
Other: Soft Cost Contingency, Constr. Mngr	\$ 91,500	\$ 354,221	\$ 262,721	\$ 0.98	\$ 3.57
SUBTOTAL	\$ 762,506	\$ 927,377	\$ 164,871	\$ 8.20	\$ 9.35
SYNDICATION					
Organization	\$ 30,000	\$ 16,282	\$ (13,718)	\$ 0.32	\$ 0.16
Bridge Loan			\$ -	\$ -	\$ -
Tax Opinion			\$ -	\$ -	\$ -
Other:		\$ 45,000	\$ 45,000	\$ -	\$ 0.45
SUBTOTAL	\$ 30,000	\$ 61,282	\$ 31,282	\$ 0.32	\$ 0.62
TDC before Dev. Fees & Reserves	\$ 15,934,484	\$ 21,264,034	\$ 5,329,550	\$ 171	\$ 214
RESERVES					
Rent Up			\$ -	\$ -	\$ -
Operating	\$ 429,760	\$ 443,110	\$ 13,350	\$ 4.62	\$ 4.47
Replacement (inc. only if capitalized)			\$ -	\$ -	\$ -
Escrows/Working Capital			\$ -	\$ -	\$ -
Other:			\$ -	\$ -	\$ -
SUBTOTAL	\$ 429,760	\$ 443,110	\$ 13,350	\$ 4.62	\$ 4.47
DEVELOPER FEES					
Developer Fee	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 16.13	\$ 15.13
Consultant Fee			\$ -	\$ -	\$ -
SUBTOTAL	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 16	\$ 15
Total Development Cost (TDC)	\$ 17,864,244	\$ 23,207,144	\$ 5,342,900	\$ 192.09	\$ 234.09
TDC w/o Land, Reserves & Commercial	\$ 16,604,484	\$ 21,934,034	\$ 5,329,550	\$ 178.55	\$ 221.25

Tab 12



MEMO

TO: Contracted Services Committee

FROM: Paul Dahlgren, Director of Communications and Marketing

DATE: November 2, 2022

SUBJECT: Graphic Design Services RFP

Recommendation

MFA staff recommend that the Policy Committee approves the RFP document to advance to the Contracted Services Committee so the RFP so the process can begin to have a contractor selected for the new contract prior to the current contract expiration date.

Background

The current vendor, Ripe Inc., was awarded a six-month extension for the contract that was originally set to expire July 17, 2022, and now expires on Tuesday, January 17, 2023. As part of the term extension, the contractor also requested a rate increase for the contract from \$160 per hour to \$175 per hour.

The rate increase was approved by the Policy committee, due in part to Ripe's familiarity and past success with producing graphic design materials for the Housing Summit. Had the Housing Summit not taken place so close to the contract extension deadline, this RFP would have likely been issued instead of the contract extension. The RFP document currently has placeholder dates which will be updated to reflect new RFP timelines once it goes through the contracted services committee.

The current contract did have further extension options, however, given the hourly rate increase, MFA staff felt it was in the best interest of the organization to ensure the new pricing structure was still competitive within the industry and still offered MFA the best value for its money. Since the current contract also let the selected firm retain intellectual property rights over all working files created for the contract, MFA staff also wanted to ensure MFA retained the rights to all available file formats of files created under the contract.

Several changes to the RFP language also sought to clarify pricing structures for creative services such as requiring submitters to detail pricing structures for firms which use a non-blended rate for services. An example of this would be a firm charging less for less technical services performed by junior designers/copywriters and administrative employees vs. services performed by firm principals, senior designers or more specialized and technical services. Under a blended-rate pricing structure, all the

services are combined into one hourly rate with the assumption that the contract will average out to that hourly rate based on involvement from all contractor staff.

Prior to sending this to the Contracted Services Committee, MFA staff is requesting the Policy committee review the RFP document and provide any suggested revisions or additions.

Discussion

Based on feedback from Policy Committee, dates were modified to accommodate the RFP timelines, Names of the board and leadership were updated, and the third-party code of conduct and references worksheet were added.

Summary

The Graphic Design Services RFP is being issued to find and contract a qualified graphic design firm to provide ongoing professional services, including the design and production of digital and printed publications and graphics. The contract is a one-year contract with up to two, one-year extensions. The current contract for these services is set to expire on January 17, 2023, so the RFP process timeline was set to try and have a contractor selected prior to the expiration of the current contract.



New Mexico Mortgage Finance Authority

Request for Proposal For Graphic Design and Creative Services

January 2023

344 Fourth St. SW, Albuquerque, NM 87102
Tel 505-843-6880 Toll Free 1-800-444-6880 Fax 505-243-3289
<http://www.housingnm.org>

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**New Mexico Mortgage Finance Authority
Request for Proposals
To Provide Graphic Design and Creative Services**

Part I: Background & General Information

Introduction

The New Mexico Mortgage Finance Authority (“MFA”) is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. Sections 58-18-1, et seq. (1978) for the purpose of financing affordable housing for low- and moderate-income New Mexico residents.

Purpose

The purpose of this Request for Proposals (RFP) is to solicit proposals, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified graphic design firms which by reason of their skill, knowledge, and experience are able to furnish graphic design and creative services to MFA in order to promote its name and its affordable housing programs (“Offerors”).

Questions and Answers

Questions pertaining to this RFP and application must be submitted via the MFA website at www.housingnm.org/rfp. Or, go to www.housingnm.org, click on the “RFPs” tab at the bottom of the page and select the “Graphic Design Services RFP” link. On the Graphic Design Services RFP page, select the “Graphic Design Services FAQs” link. Questions will be checked on a daily basis. **The FAQ will open the day after the RFP issues and will close at 4 p.m., Mountain Time on TBD.** To submit your questions, scroll down to the “Ask a question” section, enter your name, email address, and type your question in the “Question” box, type in the words and/or numbers in the CAPTCHA box and click on “Send my question”. MFA will make every attempt to answer questions within two (2) business days.

Proposal Submission

One hard copy and one electronic copy of a proposal must be received by MFA at our office located at 344 Fourth Street SW, Albuquerque, NM 87102 and pdahlgren@housingnm.org no later than **TBD at 4 p.m., Mountain Time.** Proposals shall be in sealed envelopes marked “Response to Graphic Design and Creative Services RFP.”

Proposal Tenure

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

RFP Revisions and Supplements

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

Incurred Expenses

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

Cancellation of Requests for Proposals or Rejection of Proposals

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

Evaluation of Proposals, Selection and Negotiation

Proposals will be evaluated by an Internal Review Committee of MFA staff using the criteria listed in Parts II Minimum Qualifications and Requirements and III Services to be Performed, below, with final selection to be made by the full Board of Directors.

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

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

Award Notice

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

Proposal Confidentiality

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

Until the award is made, notice given to all Offerors, and a contract is executed between MFA and Offeror, MFA will not disclose the contents of any proposal or discuss the contents of any proposal with an Offeror or potential Offeror, so as to make the contents of any offer available to competing or potential Offerors.

Irregularities in Proposals

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as

indicated herein under “Part I Background and General Information, Proposal Submission” cannot be waived under any circumstances.

Responsibility of Offerors

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

Protest

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

Paul Dahlgren, Director of Communications and Marketing
New Mexico Mortgage Finance Authority
344 Fourth St. SW
Albuquerque, NM 87102

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

- ◆ The protest will be reviewed by the applicable committee of MFA’s Board of Directors, and that committee shall make a recommendation to the full Board of Directors regarding the disposition of the protest.

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.

Note: A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, which remains in effect until the expiration of the protest period, or does not follow the prescribed proposal and Protest process.

Confidential Data

Offerors may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal to facilitate public inspection of non-confidential portions of the proposal. After award, all proposals and documents pertaining to the proposals will be open to the public. Confidential data is normally restricted to confidential financial information concerning the Offeror’s organization and data that qualifies as trade secrets under the Uniform Trade Secrets Act, Section 57-3A1 et seq. NMSA 1978.

If request for disclosure of data for which a request for confidentiality is made, MFA shall examine the request for confidentiality and make a written determination that specifies which portions of the proposal should be disclosed and

will provide the Offeror with written notice of that determination. Unless the Offeror protests within ten (10) calendar days of the notice, the proposal will be so disclosed.

Timeline for Offeror Selection

MFA will make every effort to adhere to the following anticipated schedule for recommended Offeror selection:

<u>DATE</u>	<u>ACTIVITY</u>	<u>RESPONSIBILITY</u>
TBD	RFP goes to Board of Directors for approval	MFA
TBD	Issuance of RFP	MFA
TBD	RFP FAQ closes – deadline to submit questions	Offerors
TBD	Submission of Proposals Due	Offerors
TBD	Award Recommendation to Board of Directors	MFA
TBD	Notification of Awards	MFA
TBD	Protest Deadline	Offerors

Part II: Minimum Qualifications and Requirements

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

1. All Offerors must demonstrate expertise in the design, creation and execution of printed or electronic materials that integrate a core brand concept/theme and design elements in a consistent, cohesive way across a variety of mediums including print, web and advertising for, but not limited to, the housing/financial services industry.
2. All Offerors must have expertise in maintaining and evolving multi-level branding systems within an existing brand concept.
3. All Offerors must have experience planning, designing and optimizing large, multi-page websites that provide a common, accessible structure across multiple departments and programs using a robust, easy-to-use content management system, preferably Expression Engine.
4. All Offerors must demonstrate expertise in developing event branding for large-scale events such as: a design system for collateral, event website, promotional materials, signage, etc.
5. All Offerors must have experience in the design and production of documents with 25+ pages.
6. All Offerors must be proficient in Adobe Illustrator, InDesign, Photoshop, Expression Engine, Mail Chimp and Hubspot, preparing final art files for printers, fabricators, web developers, etc., and have the capacity to manage and provide quality control to projects from start to finish.
7. All creative concepting, design, artwork production and project management must be performed by in-house staff directly employed by the Offeror (not a sub-contractor) unless MFA has received prior written notice and has given its approval.

Selected Offerors must also meet the following requirements:

4. Offeror shall provide a written statement disclosing: (1) any political contribution or gift valued in excess of \$250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member,

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

5. Offeror shall provide a written statement disclosing any pending investigation, litigation, recent settlements or regulatory sanctions in performing professional services during the past five years involving Offeror's firm or employees or individuals or organizations involved in any third-party agreements or joint venture agreements. Describe any circumstances under which Offeror's firm or any of Offeror's members or employees have been disciplined by any professional licensing, regulatory or ethics entity. Indicate whether Offeror's firm has been involved in any capacity in litigation, investigations or regulatory proceedings involving HUD, the State of New Mexico or any agency thereof.
6. A Written certification that Offeror has read and shall at all times conduct itself in a manner consistent with MFA's Code of Conduct, MFAs THIRD-PARTY CODE OF CONDUCT and MFA's Anti-Harassment Policy. A copy of MFA's NEW MEXICO MORTGAGE FINANCE AUTHORITY THIRD-PARTY CODE OF CONDUCT and MFA's Anti-Harassment Policy is posted on the MFA website for review at <http://www.housingnm.org/rfp>. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.
7. Offeror shall provide a written certification that Offeror is an Equal Opportunity Employer and complies fully with all government regulations regarding nondiscriminatory employment practices.

Part III: Services to be Performed

Offerors may respond to this RFP to provide graphic design and creative services for MFA and its programs.

As requested by MFA, professional graphic design and creative services REQUIRED to be provided under, and to be incorporated into, the contract to be awarded pursuant to this RFP include, but are not limited to, the following:

1. Work within the existing brand concept and style guides to create and produce new print and electronic materials that include but are not limited to brochures, e-blasts, print ads, digital ads, annual reports, newsletters, holiday cards, posters, trade show materials and training documents.
2. Make ongoing updates to existing print and electronic materials within two business days. On occasion, make updates to existing print or electronic materials and/or provide working/layered files for modification of projects that have short turnaround times or need more immediate updates.
3. Design and produce print ads and digital ads within existing brand parameters within four business days.
4. Work the Director of Communications and Marketing to update and website design and system that unifies the content in an accessible way within the existing brand concept; manage the development and build-out of the website.
5. Provide the following for one large event each year while maintaining the integrity of the existing brand: event concept, theme, name and tagline; event website design and development; inclusive branding system that includes but is not limited to print and electronic event collateral; directional and promotional on-site signage; stage design and production; agendas and nametags; and giveaways.
6. Design and produce large documents that include but are not limited to: event programs that includes 100+ speaker bios, 50+ session descriptions and 40+ vendor ads in multiple sizes; housing services directory with more than 600 entries and 100 agency descriptions.

7. Produce graphics, photographs and illustrations that convey the existing brand concept.
8. Create and produce interior and exterior building signage.

Part IV: Evaluation Criteria

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

Additional Preference Criterion: New Mexico 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: (1) evidence that the Offeror is licensed to do business in New Mexico; and, (2) a representation that the majority of the Offeror's employees who would perform the services to be performed reside in New Mexico.

Criteria	Point Range	Maximum Points
1. Key Personnel and Availability of Personnel	0-15	15
2. Experience and Work Samples	0-30	30
3. Technical Capabilities	0-20	20
4. Responsiveness	0-15	15
5. Fees: <ol style="list-style-type: none"> a. Hourly Rates b. Other fees and costs 	0-15	15
6. New Mexico Resident Business	0 or 5	5
Maximum Points		100

Part V: Proposal Format and Instructions to Offeror

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

1. **Letter of Transmittal** Include at least the following information:
 - A. Name, address and telephone number of Offeror and name of contact person.
 - B. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror.
 - C. Date of proposal.

- D. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP.
- E. A statement that the Offeror's proposal is valid for ninety (90) days after the deadline for submission of proposals.

2. Disclosure and Certifications – Offeror shall provide:

- A. A written statement disclosing: (1) any political contribution or gift valued in excess of \$250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.
- B. A written statement disclosing any pending investigation, litigation, recent settlements or regulatory sanctions in performing professional services during the past five years involving Offeror's firm or employees or individuals or organizations involved in any third-party agreements or joint venture agreements. Describe any circumstances under which Offeror's firm or any of Offeror's members or employees have been disciplined by any professional licensing, regulatory or ethics entity. Indicate whether Offeror's firm has been involved in any capacity in litigation, investigations or regulatory proceedings involving HUD, the State of New Mexico or any agency thereof.
- C. Offeror shall sign and abide by the NEW MEXICO MORTGAGE FINANCE AUTHORITY THIRD-PARTY CODE OF CONDUCT (EXHIBIT B).
- A. A written certification that Offeror is an Equal Opportunity Employer and complies fully with all government regulations regarding nondiscriminatory employment practices.

2. Insurance Proof of professional liability insurance of at least \$1,000,000.

3. Key Personnel and Availability of Personnel

- A. Names and professional bios for each of the business owner(s), key personnel including lead creative and design staff, and support staff to be assigned to the account. Bios must show, at a minimum, the person's name, education, position, office location (city, state), total years of experience, core competencies and types of experience relevant to the performance of the contract.
- B. Describe the Offeror's policy regarding access to owners and key personnel for all aspects of work from new project development to routine collateral maintenance.

4. Experience and Work Samples

- A. Demonstrate the Offeror's experience in designing and producing a variety of branding and marketing materials by providing the following:
 - i. At least five examples of print materials created in-house, preferably for a housing-related industry, that include, but are not limited to, training materials, brochures, advertisements and/or annual reports. Either printed samples or images are acceptable.

- ii. At least three examples of electronic materials you have created in-house, preferably for a housing-related industry, that include, but are not limited to, e-newsletters, digital marketing, e-invites.
- B. Demonstrate the Offeror's experience with design and branding by providing at least three examples of printed or electronic documents, preferably at least one related to the housing/financial services industry, which demonstrates a cohesive and consistent visual theme and design through all aspects of a brand.
- C. Provide a narrative description and examples of a large event for which the Offeror provided graphic design and creative services.
- D. Provide a list of New Mexico businesses for which the Offeror currently works or performs services as well as those businesses for which the Offeror has worked or performed services in the last ten years.

5. Technical Capabilities

- A. Demonstrate experience in planning, designing and producing a large website by providing at least one URL for a large website the Offeror has designed. Describe the process used to organize, plan and execute the project.
- B. Provide a narrative description of the work flow and QC process the Offeror uses to produce a 50+ page document through several rounds of design and text edits.

6. Responsiveness

- A. Describe how the Offeror's will deliver graphic design and creative services in a way that will serve the on-going needs of MFA in a timely manner:
 - i. Organization of work plan, approach to individual projects, and the availability of personnel for consultation and discussion.
 - ii. Typical turnaround times for the following: routine collateral updates; edits to a larger project; proposals for new marketing materials.
 - iii. How available are key personnel via phone? Email? To attend a meeting?

7. Fees

- A. Services performed under this RFP for graphic design and creative services will be provided on an hourly basis. Hourly rates for all graphic design and creative services must be included in this proposal. Please detail if the services are provided as one blended rate for all services or provide a detailed rate schedule identifying the rates for the different services offered within the scope of the contract. (i.e. different costs for working with a senior copywriter/principal vs. a junior copywriter/designer.)
- B. The Offeror must also provide a rate schedule for expenses that fall outside of hourly billing rates such as per-page copying charges, proofreading, providing proofs and mock-ups, original

photography, multiple text or design edits, overnight mail expenses and a description of any other charges that would be billed to the MFA under the contract. A statement as to when such additional charges would be imposed must also be provided. Please use table format as illustrated to list out these prices.

Service	Price
Photocopies	
Telephone Charges	
Original Photography	
Stock Art	
Proofs and Mock-ups	
Mailing and Express Delivery	
Proofreading	
Copy Writing	
Multiple Edits	
Other	

- C. Demonstrate the Offeror's ability to provide detailed monthly billings summarized by project and provide a sample itemized bill.
- D. Offeror must absorb the cost of familiarizing itself with MFA's mission, programs and public image as well as the existing branding system including color pallet, fonts and design style. Program documents and any other relevant information shall be made available for Offeror's review at MFA's office in Albuquerque. MFA will not pay for such work. Indicate how much time Offeror expects to devote to familiarizing itself with the items outlined above and provide a timetable for doing so.
- E. Lodging and other travel related expenses shall be reimbursed by MFA in accordance with MFA expense reimbursement policies set forth in its Policies and Procedures Manual.

6. References

- A. Offeror shall provide references for Offeror's work with or for current or previous clients
- B. Offeror shall provide at least three references for whom Offeror has performed design, creative and/or branding services.
- C. MFA shall provide the form attached hereto as **Exhibit A** to all references and seek feedback regarding their experience working with Offeror.

7. **New Mexico Resident Business**

- A. Evidence that the Offeror is licensed to do business in Mexico.
- B. Representation that the majority of Offeror's employees who would perform the services to be performed reside in New Mexico.

8.

9. **Affirmative Actions** MFA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.

Part VI: Principal Contract Terms and Conditions

Awards shall be contingent upon successful negotiation of a final contract between MFA and the Offeror whose proposal is accepted by MFA. This RFP in no manner obligates MFA to disburse any funds to any Offeror until a valid written contract is fully executed and all conditions of disbursement have been met.

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

Contract Term

The term of the Graphic Design and Creative Services Contract shall begin the date the MFA Board of Directors approves the award and end **TBD**. At the option of the Board, the contract may be extended for two, one-year periods under the same terms and conditions. There will be a transition period when open projects and files will be transferred at the beginning and the end of the contract term.

Ownership of Files

Any digital design or production files designed for MFA, as part of this contract, will be fully owned and retained by MFA. Upon request, MFA will have access to layered or working files for all design files created. Upon completion of the contract term, all files must be transferred to MFA via an online file transfer services such as Dropbox or a physical hard drive of all files.

Hold Harmless and Indemnity Agreement

Contractor shall hold harmless and indemnify MFA, its members, officers, employees, and agents from and against any and all claims, liabilities, obligations, losses and the like, asserted by any third parties arising from or attributable to Contractor's performance of the services required under the contract. This indemnity and hold harmless agreement shall include reimbursement of all attorney fees, costs and expenses incurred by MFA, its Board members, employees, or agents in defending any such action.

Assignment/Change in Key Contractor Personnel

Contractor shall not assign or transfer any interest in the contract or assign any claims for money due or to become due under the contract (except as security for a bank loan in its ordinary course of its business) without the prior written approval of MFA. Any change to key Contractor personnel, including lead designers and other key personnel assigned to the contract, shall require prior written notice to and approval by MFA, and amendment to the contract to reflect the change in assigned Contractor personnel.

Subcontractors

Contractor shall not employ a subcontractor (or substantially change the contemplated division of responsibilities with a previously approved subcontractor) without the prior written approval of MFA. Any and all fees or costs incurred by a subcontractor shall be paid by Contractor and shall not be reimbursed by MFA. Contractor shall assume full and complete responsibility and liability for subcontractor's performance of any services which Contractor has delegated to a subcontractor.

Records and Audit

Contractor shall maintain detailed time records which indicate the detail of services rendered, which shall be subject to inspection by MFA. MFA shall have the right to audit bills submitted to MFA under the contract both before and after payment. Payment under the contract shall not foreclose the right of MFA to recover excessive and/or illegal payments.

Budget and Billing

Prior to commencing a large project, Contractor shall prepare and deliver to MFA a detailed budget of all fees and costs that Contractor anticipates will be necessary to perform the services required for that project. A detailed statement of services and an invoice for services provided must be presented before any payment under the contract shall be made. MFA will pay Contractor fees or costs which exceed those indicated in the budget only if such costs are reasonable and result from circumstances which Contractor could not have anticipated at the time Contractor prepared the budget.

Code of Conduct

No MFA Board member or employee of MFA shall have any direct financial interest in any contract with the Offeror, nor shall any contract exist between Offeror or its affiliate with any MFA Board member or employee that might give rise to a claim of conflict of interest. Any violation of this provision will render void any contract between MFA and the Offeror for which MFA determines that a conflict of interest exists as herein described, unless that contract is approved by the MFA Board of Directors after full disclosure.

Offeror shall warrant that it has no interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under any contract entered into with MFA pursuant to this RFP. Offeror shall at all times conduct itself in a manner consistent with the MFA Code of Conduct and MFA's Anti-Harassment Policy. A copy of the MFA Code of Conduct and MFA's Anti-Harassment Policy is posted on the MFA web site for review at <http://www.housingnm.org/rfp>. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.

Termination

This agreement may be terminated without cause by MFA upon thirty (30) days written notice. Such termination shall not nullify any obligations already incurred for performance or failure to perform before the date of termination. Upon termination, the MFA Board may negotiate and award the remaining term(s) of the contract using the proposals submitted in this RFP.

Status of Contractor

The Contractor and its agents and employees are independent contractors performing services for MFA and are not employees of MFA. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding or other benefits afforded to employees of MFA as a result of this RFP.

Amendment

The agreement shall not be altered, changed or amended except by an instrument in writing and executed by both parties. No amendment shall be effective or binding until approved by MFA.

Scope of Agreement

The agreement incorporates all the agreements, covenants and understandings between the parties concerning the subject matter of the agreement and all such covenants, agreements and understandings have been merged into the written agreement. No prior understanding or agreement, verbal or otherwise, of the parties or the agents, shall be valid or otherwise enforceable unless embodied in the agreement.

Applicable Law

The agreement shall be governed by the laws of the State of New Mexico.

New Mexico Mortgage Finance Authority

Board Members

Chair Angel Reyes – President, Centinel Bank in Taos
 Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk
 Treasurer Rebecca Wurzburger – Strategic Planning Consultant
 Member Howie Morales – Lieutenant Governor, State of New Mexico
 Member Hector Balderas – Attorney General, State of New Mexico
 Member Tim Eichenberg – Treasurer, State of New Mexico
 Member Patricia Sullivan – PhD, Associate Dean, New Mexico State University College of Engineering

Management

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

EXHIBIT A

ORGANIZATIONAL REFERENCE QUESTIONNAIRE

The New Mexico Mortgage Finance Authority, as part of the RFP process, requires Offerors to submit at least three references from past or current clients for whom the Offeror has performed design, creative and/or branding services.

The purpose of these references is to document Offeror's experience relevant to the scope of work in an effort to establish Offeror's responsibility. MFA will send the following reference form to each business reference listed in Offeror's proposal.

GRAPHIC DESIGN AND CREATIVE SERVICES RFP

ORGANIZATIONAL REFERENCE QUESTIONNAIRE FOR:

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

Name: Paul Dahlgren
 Address: 344 4th St. SW
 Albuquerque, NM 87102
 Telephone: 505-767-2248
 Fax: (505) 243-3289
 E-mail: pdahlgren@housingnm.org

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

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

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

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

_____ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

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

_____ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

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

_____ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

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

_____ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

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

COMMENTS:

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

COMMENTS:

7. Would you recommend this Offeror's services?

COMMENTS:

EXHIBIT B

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 MFA.

"MFA Management" means the Executive Director/Chief Executive Officer, Chief Housing Officer, Chief Financial Officer, Chief Lending Officer and Director of Human Resources employed by MFA.

"Transaction" means any transaction including, but not limited to any sale, purchase, or exchange of tangible or intangible property or services; any loan, loan commitment or loan guarantee; any sale, purchase, or exchange of mortgage loans, notes, or bonds; or any other business arrangement or contract therefor.

- D. Conflicts of Interest.** Third Parties should avoid engaging in any activity that would conflict, interfere, or even create the appearance of a conflict with their business with MFA. Third Parties must disclose any potential conflicts to MFA in writing as soon as practicable upon discovery or recognition. Examples of potential conflicts include, but are not limited to:
- Engaging in a conflict-of-interest transaction prohibited by Section F of MFA’s Code of Conduct, which can be found at: (website reference to be added)
 - Providing gifts and entertainment to any MFA Employee, MFA Management or MFA Member in an attempt to improperly influence MFA business decisions.

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

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

- E. Anti-Discrimination and Anti-Harassment Policy.** MFA is committed to maintaining an employment environment in which all individuals are treated with respect and dignity and expects the same from Third Parties doing business with MFA. MFA expects that Third Parties will maintain a workplace where employment-related decisions are based on performance, ability, or other legitimate, non-discriminatory bases and are never based on race, color, national origin, ancestry, citizenship status, religion, sex, sexual orientation, gender identity, age, physical or mental disability, serious medical condition, marital status, status with regard to public assistance, veteran status, or any other legally-protected status.

MFA also maintains and expects Third Parties to maintain a workplace that is free of unlawful harassment. This includes harassment based upon any of the above legally-protected status (such as age, sex, religion, national origin, etc.) and which creates an intimidating, hostile, or offensive working environment. This also includes sexual harassment which is defined as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual; or such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidated, hostile, or offensive working environment.

MFA will also not tolerate any form of unlawful discrimination or harassment of an MFA Employee by any Third-Party including by its employees, owners, managers, members, directors, agents, or representatives.

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

To the extent necessary for a Third-Party to share MFA's confidential or proprietary information with a sub-contractor, MFA expects the Third-Party to implement adequate controls at a level no less than those set forth in this Third-Party Code of Conduct with such sub-contractor.

Third Parties must not infringe upon the intellectual property rights of other companies or organizations.

Third Parties must return all confidential and proprietary information in their possession to MFA when the contractual relationship between MFA and the Third-Party has terminated, unless otherwise specified by contract. The obligation to protect MFA's confidential and proprietary information continues even after any business relationship between MFA and the Third-Party ends.

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

- G. Onsite Visitor Requirements.** While on MFA's premises, Third Parties must comply with all MFA rules and procedures, including security measures and requests. These may include but are not limited to:
- Registering with reception.
 - Accessing only authorized areas unless accompanied by an MFA Employee.

- Promptly reporting known security violations and property loss or damage.
- Complying with all MFA facility requirements, including maintaining a substance-free and violence-free workplace.
- Any public health and safety policies in effect, including wearing a face mask.

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

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

OFFEROR ACKNOWLEDGMENT

DATE

Tab 13



MEMO

TO: Board of Directors
 Through: Policy Committee – October 4, 2022

FROM: Julie Halbig

DATE: November 16, 2022

SUBJECT: Approval of Proposed Amendment to MFA Rules and Regulations

Recommendation:

MFA staff recommends discussion and adoption of amended language outlined herein to the MFA Rules and Regulations.

Background:

Pursuant to Section 58-18-8 NMSA 1978, Rules and Regulations of the authority:

- A. The authority shall adopt and may from time to time modify or repeal, subject to prior approval by the Mortgage Finance Authority Act oversight committee, rules and regulations...

Pursuant to New Mexico Statutes Section 58 Financial Institutions and Regulations, Article 18, the rules and regulations governing MFA must be approved by an oversight committee from the New Mexico legislature.

As required by Section 10 of the MFA Rules and Regulations, MFA will provide an opportunity for public comment by posting the Notice of Request for Public Comment and Proposed Amendments to MFA Rules and Regulations on MFA's website.

Unlike past years when the proposed changes to MFA's Rules and Regulations were more technical in nature, Staff seeks the Board's input and approval for this proposed definitional change since it is policy-related. If approved by the Board, this proposed amendment will be presented for approval to the Legislative Oversight Committee on November 30, 2022.

Discussion:

Throughout this past year, MFA has had numerous discussions with local elected officials, community leaders and economic development stakeholders regarding the need for more assistance for those households that are in need of workforce housing (law enforcement, firefighters, teachers and municipal employees). These are households where both adults are working a full-time job yet they are being priced out of the housing property market.

The proposed changes in language would be to the definition of “moderate income” in MFA’s Rules and Regulations. Currently, the definition reads as follows:

BB. “Persons of Very Low, Low or Moderate Income” shall mean the categories of income levels attributed to persons and families for the determination of eligibility for MFA’s programs. Very Low, Low or Moderate Income persons and families within the state are those who are determined by MFA to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of quality affordable residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by MFA to be in need of the assistance made available by the Act, taking into consideration, without limitation, such factors as defined under the Act. For purposes of this definition, the word “families” shall mean a group of persons consisting of, but not limited to, the head of a household; his or her spouse, if any; and children, if any, who are allowable as personal exemptions for Federal income tax purposes. Very Low Income persons or families are those with income at or below 50% of the Area Median Income (“AMI”). For Loans to persons and families on Indian Reservations, MFA will use the income basis determined under HUD’s Native American Housing and Self Determination Act (NAHASDA). Low Income persons or families are those with income above 50% and up to 80% of the AMI. Moderate Income persons or families are those with income above 80% and up to 120% of the AMI, or up to 140% AMI, on a program-by-program basis, as determined by MFA, in light of the needs throughout the State and in accordance with the requirements of the Act. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes.

The proposed change for your consideration would be to change the definition of “moderate income” on page 4 of the MFA Rules and Regulations.

“Persons of Very Low, Low or Moderate Income” shall mean the categories of income levels attributed to persons and families for the determination of eligibility for MFA’s programs. Very Low, Low or Moderate Income persons and families within the state are those who are determined by MFA to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of quality affordable residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by MFA to be in need of the assistance made available by the Act, taking into consideration, without limitation, such factors as defined under the Act. For purposes of this definition, the word “families” shall mean a group of persons consisting of, but not limited to, the head of a household; his or her spouse, if any; and children, if any, who are allowable as personal exemptions for Federal income tax purposes. Very Low Income persons or families are those with income at or below 50% of the Area Median Income (“AMI”). For Loans to persons and families on Indian Reservations, MFA will use the income basis determined under HUD’s Native American Housing and Self Determination Act (NAHASDA). Low Income persons or families are those with income above 50% and up to 80% of the AMI. Moderate Income persons or families are those with income above 80% and up to 150% of the AMI adjusted

for family size. Moderate income limits may be adjusted as needed for high-cost areas to accommodate qualification for purchase of a median priced home in a county of the subject property or rent at the fair market rate. This definition is in line with the needs throughout the State and in accordance with the requirements of the Act. The definition of moderate income applies to all non-federal unrestricted programs administered by MFA. All federal and restricted programs will continue to follow the income requirements outlined in statute, regulations, guidance or contractual documents. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes.

The proposed change would increase from 120% of AMI to 150% of AMI for certain non-federal, unrestricted programs administered by MFA. In addition, for high-cost areas around the state (such as Santa Fe, Taos and Lincoln County), it would allow “moderate income” to be defined in such a way as to qualify a borrower for the purchase of a median priced home in a high-cost area or rent at fair market rate. This definition of “moderate income” would apply to a narrow set of programs such as the:

- Housing Opportunity Fund
- NM Housing Trust Fund
- MFA General funds; and
- MFA taxable bonds.

One example where this change in definition would be beneficial is NextHome, our non-First Time Home Buyers (FTHB) program. The product is currently suspended as we cannot price due to market volatility. The statewide income limit is currently set at \$95,000. The New Mexico Housing Trust Fund would also be a program where additional flexibility could be used successfully for affordable housing projects seeking to serve households up to 150% of AMI.

For federal, restricted programs, MFA would continue to apply the definition of “moderate income” per the regulations of that particular program or revenue stream. In most cases that is up to 120% of moderate income. For example: MFA’s FirstHome and FirstDown will remain subject to the IRS published guidelines. HomeNow adheres to the lesser of the IRS or HUD’s HOME published limits. The exception being the Homeowner Assistance Fund (HAF) which allows persons with income up to 150% of AMI to qualify. The HAF program provides some precedent at the federal level to define moderate income up to 150% of AMI.

There are references to “moderate income” throughout the rest of the MFA Rules & Regulations.

Summary:

Staff is proposing adoption of the amendment to MFA’s Rules and Regulations. With the Board’s input and approval, the proposed amendment will be presented to the Legislative Oversight Committee on November 30, 2022.

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Tab 14



MEMO

TO: MFA Board of Directors

Through: Finance Committee – November 8, 2022

Through: Policy Committee - October 31, 2022

FROM: Julie Halbig

DATE: November 16, 2022

SUBJECT: Approval of Award for Internal Audit RFP

Recommendation

Staff recommends approval of Moss Adams for the Internal Audit Services RFP.

Background

The Board approved the Request for Proposal (RFP) for Internal Audit & Related Services on August 17, 2022. The RFP was advertised in Albuquerque, Las Cruces and Santa Fe local newspapers and posted on MFA's website. In addition, seven (7) firms were directly solicited to respond to the RFP. We received four (4) responses and all four met the Minimum Requirements. At the request of Policy Committee, the Internal Review Committee interviewed the top three firms.

Discussion

Minimum Requirements:

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

Services to be Performed:

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

Internal Audit Services

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

Quality Control Reviews

7. Develop an audit program to provide quality control services for the Federal Housing Administration (FHA) single-family mortgage loan portfolio and the U.S. Department of Housing and Urban Development (HUD) Section 8 Performance Based Contract Administration (PBCA) functions;
8. Perform monthly and quarterly quality control review services for the single-family FHA mortgage loan portfolio in accordance with HUD requirements and MFA's Quality Control Plan (Exhibit C);
9. Perform quality control review services for the PBCA Annual Contributions Contract (ACC) in accordance with HUD requirements and MFA's Quality Control Plan (Plan). The Plan is updated on an annual basis and a copy of the Plan effective December 1, 2012, is attached (Exhibit D). The quality control functions assigned to auditors will be substantially the same; assignments are rotated so that all functions are performed in a two-year time period;
10. Prepare Quality Control Review reports detailing findings to Management.

Other

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

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

12. Prepare the annual 990 income tax return for the New Mexico Affordable Housing Charitable Trust, a subsidiary of MFA, if other than a 990-N is required.
13. Conduct fraud, waste and/or abuse investigations in response to inquiries surrounding funds administered under federal programs.

14. Audit and cost verification of the projects completed under the Low-Income Housing Tax Credit program.
15. MFA may request consulting services to be performed in various areas as needed.

Criteria	Point Range	Maximum Points	REDW	Jaramillo Accounting Group	Moss Adams	Weaver
<p>1. Experience: Offeror's skill, knowledge and experience with</p> <p>a. Experience with internal audits of MFA or similar financial institutions, government entities or mortgage servicers; experience with quality control reviews of FHA mortgage origination and servicing and HUD PBCA and ACC;</p> <p>b. Experience in auditing information systems departments;</p> <p>c. Extensive knowledge of accounting and auditing procedures and experience in providing risk assessments, internal audit and quality control services;</p> <p>d. Relevant staff experience, expertise and credentials;</p> <p>e. Familiarity with MFA and its purpose</p>	0-40	40	38.25	36	40	27
<p>2. Responsiveness to MFA and Technical Capabilities:</p> <p>f. Ability to prepare detailed audit reports to the Board or Management;</p> <p>g. Knowledge of FHA mortgage origination and servicing and HUD PBCA and ACC;</p>	0-15	15	14	12.75	15	6.25

h. Availability of staff and ability to provide the hours required to perform internal audit services, quality control reviews, the ability to provide quick response to requests, and the ability to accommodate MFA's scheduling needs.						
3. Fees/Cost of Services:	0-30	30	22	30	20	0
a. Per-hour rate for all professional expected provide internal audit and quality control review services for this RFP;						
b. Provide the cost of services on a per-hour basis and an estimate of the number of hours required to provide the IRS 990 Income Tax Return. Alternatively, provide a fixed rate for preparation of the IRS 990 Income Tax Return.						
4. References	0-10	10	10	10	10	3.75
5. Interview, if held	0-5	5	5	4	5	Did not interview
Maximum Points			89.25	92.75	90	37.00

Per the RFP, the MFA Board of Directors shall select the Offeror whose proposal is deemed to be the most advantageous to MFA to enter into contract negotiations with MFA. The interview process provided important clarification in making this recommendation to the Board for the Internal Audit RFP. Moss Adams has familiarity with MFA having served in previous years as MFA's external auditor. Moss Adams has a senior level internal audit team that would be dedicated to MFA's contract. In addition, the internal audit team has specific expertise in the following areas of IT, Tax, Construction/LIHTC, and new Federal funding programs and grants such as ARPA.

Summary

The Board approved the Request for Proposal for Internal Audit & Related Services on August 17, 2022. We received four (4) responses and all four met the Minimum Requirements and were scored. Staff recommends discussion of the top three firm's responses for the Internal Audit Services award by Policy Committee before making a recommendation to the Finance Committee. The contract is for a term of two (2) years, with the option of three (1) one-year extensions at the option of the Policy Committee.

Tab 15



MFA Strategic Plan Benchmarks

FY 2022

Goal 1 - Create affordable housing opportunities that support and strengthen New Mexico's communities



Benchmark: 1

Provide mortgage financing for 2,043 homebuyers

Q1	On Target	MFA financed 651 homebuyers in Q1 of FY 2022 and 651 homebuyers YTD.
Q2	On Target	MFA financed 557 homebuyers in Q2 of FY 2022 and 1208 homebuyers YTD.
Q3	On Target	MFA financed 554 homebuyers in Q3 of FY 2022 and 1762 homebuyers YTD.
Q4	Met	MFA financed 456 homebuyers in Q4 of FY 2022 and 2218 homebuyers YTD.



Benchmark: 2

Maintain average mortgage product utilization of 25% of all FHA loans recorded in New Mexico

Q1	On Target	The MFA quarterly product utilization reported for Q1 is 34.90% for a YTD average of 34.90%.
Q2	On Target	The MFA quarterly product utilization reported for Q2 is 28.79% for a YTD average of 31.84%.
Q3	On Target	The MFA quarterly product utilization reported for Q3 is 25.77% for a YTD average of 29.82%.
Q4	Met	The MFA quarterly product utilization reported for Q4 is 24.34% for a YTD average of 26.30%



Benchmark: 3

Finance the development and/or preservation of 850 rental and homeownership units

Q1	Met	Financed development of 801 units and preserved 90 units in Q1, for a YTD total of 891 units developed and preserved.
Q2	Met	No closings in Q2. Financed development of 801 units and preserved 90 units in Q1, for a YTD total of 891 units developed and preserved.
Q3	Met	Financed development of 108 units and preserved 772 units in Q3, for a YTD total of 1,771 units developed and preserved.
Q4	Met	Financed development of 514 units and preserved 96 units in Q4, for a Year End total of 2,381 units developed and preserved.



Benchmark: 4

Maintain a 35% exit rate of individuals experiencing homelessness served to permanent housing through EHAP

Q1	On Target	The Q1 unduplicated clients were 624, and of these 300 (48%) exited to permanent housing. YTD rate is 48%.
Q2	On Target	The Q2 unduplicated clients were 646, and of these 215 (33%) exited to permanent housing. YTD rate is 40%.
Q3	On Target	The Q3 unduplicated clients were 700, and of these 218 (31%) exited to permanent housing. YTD rate is 37%.
Q4	Not Met	The Q4 unduplicated clients were 1,045, and of these 230 (22%) exited to permanent housing. YTD rate is 33.5%.



MFA Strategic Plan Benchmarks FY 2022



Benchmark: 5

Achieve annual combined average loan delinquencies of MFA serviced portfolio below 9.0%

Q1	On Target	Delinquency for Q1 is 8.62%.
Q2	On Target	Delinquency for Q2 is 8.40%.
Q3	On Target	Delinquency for Q3 is 8.15%.
Q4	Met	Delinquency for Q4 is 8.03%, Exceeding Benchmark by .97%.



Benchmark: 6

Maintain subserviced portfolio delinquency percentage below the Federal Housing Administration Loan Performance Trend delinquency rate (purchase loans only)

Q1	On Target	Maintained a 13.35% delinquency rate compared to an FHA purchase, US delinquency rate of 15.01%.
Q2	On Target	Reduced delinquency to 11.60% delinquency compared to an FHA purchase, US delinquency rate of 13.67%.
Q3	On Target	Maintained a 11.61% delinquency rate compared to an FHA purchase, US delinquency rate as of May 2022 of 12.01%.
Q4	Met	Maintained a 10.48% delinquency rate compared to an FHA purchase, US delinquency rate as of July 2022 of 12.91% Exceeding benchmark by 2.43%



Benchmark: 7

Evaluate at least three new specialty products or significant program or product improvements

Q1	Met	In Q1, MFA staff evaluated three new products or program improvements, including 1) Evaluated eliminating the requirement for single family home borrowers to contribute \$500 to the loan transaction; 2) Evaluated increasing the maximum DPA amount from \$8,000 (unfortunately, the \$8,000 maximum DPA amount is no longer sufficient to cover closing cost and down payment assistance as a result of the continued increase in housing costs); and 3) Evaluated mechanisms and best practices for utilizing CDBG-RHP funding.
Q2	Met	In Q2, MFA did not evaluate any specialty products or significant program or product improvements.
Q3	Met	In Q3, Housing Development updated the Tax Credit Assistance Program (TCAP) NOFA to include a section on the use of program income. Housing Development also created a set-aside for \$1,100,000 to assist 2020 LIHTC projects that have stalled due to construction cost increases related to COVID-19. Additionally, MFA implemented CDBG-RHP through releasing an RFP and making an award. YTD programs evaluated is five and programs implemented is one.
Q4	Met	In Q4, the programs department developed the Acquisition Rehab Resale Program. YTD programs evaluated is six and programs implemented is one.

Goal 2 - Build a network of advocates and partners that work to create and promote affordable housing in the state



Benchmark: 8

Achieve an average of 1,925 social media engagements each quarter across all platforms.



MFA Strategic Plan Benchmarks FY 2022

Q1	Caution	In Q1, MFA had 711 total engagements across all social media platforms. This number represents a 43% decrease from the previous quarter, due in part to the turnover in the department that led to a lack of any social media activity in October.
Q2	On Target	In Q2, MFA had 2,795 total engagements across all social media platforms. This number represents a 35% increase from the previous Q2.
Q3	On Target	In Q3, MFA had 3,456 total engagements across all social media platforms. Across all three quarters, the average number of engagements per quarter is currently 2,320.
Q4	Met	In Q4, MFA had 1,144 total engagements across all social media platforms. For the fiscal year, the total number of engagements was 8,106 across all platforms and the average number of social media engagements per quarter was 2,027.



Benchmark: 9

Expand services of at least one program to an underserved area of the state

Q1	New	During Q1, MFA did not expand services of any programs to an underserved area of the state.
Q2	Met	During Q2, MFA assisted the Espanola Pathways Shelter in acquiring a property to provide shelter services to individuals experiencing homelessness in the City of Espanola. Additionally, following a period of the homeownership assistance program being shut down, MFA implemented the Homeowner Assistance Fund (HAF) permanent program, which provides homeownership assistance statewide. YTD total is two.
Q3	Met	During Q3, MFA provided emergency assistance to counties within the North Central New Mexico Economic Development District in response to the Hermits Peak/Calf Canyon Fire. YTD total is three.
Q4	Met	No programs were expanded to an underserved area in the state in Q4. YTD total is three.



Benchmark: 10

Conduct outreach to and/or assist at least 105 local governments, tribal governments, potential new program partners and/or elected officials

Q1	On Target	MFA met with five potential partners (4 for Housing LLC regarding the Rehab Program, Native Capital Access, Sawmill Community Land Trust, Anchorum and United South Broadway), assisted three local governments (Town of Silver City, Village of Los Lunas and Los Alamos County), assisted one tribal government (Pueblo of Zuni Housing Authority) and conducted outreach to thirteen elected officials and/or their offices (Senators Heinrich and Lujan, Congresswomen Stansbury and Leger Fernandez, Governor Lujan Grisham, State Speaker Egolf, State Senators Rodriguez, Wirth, Stewart and Munoz, State Representatives Dixon and Romero and Albuquerque City Councilor Benton). Total outreach for Q1 is 22.
Q2	On Target	During Q2, MFA met with three local governments (City of Albuquerque, Town of Taos and Town of Silver City), three tribal governments (Mescalero Apache, Tesuque Pueblo and Zuni Pueblo), and 81 elected officials or their staff (Senators Heinrich and Lujan, Congresswomen Stansbury, Leger Fernandez and Herrell, Governor Lujan Grisham, State Representatives Alcon, Anderson, D. Armstrong, G. Armstrong, Brown, Castellano, Chandler, Chasey, Chatfield, Cook, Crowder, Dixon, Dow, Egolf, Ely, Ezzell, Fajardo, Ferrary, M. Garcia, Garratt, Harper, Hernandez, Herndon, Hochman-Vigil, Lente, Louis, Lujan, Lundstrom, Maestas, Matthews, McQueen, Montoya, Nibert, Ortez, Powdrell-Culbert, Rehm, Romero, Rubio, Scott, Small, Strickler, Sweetser, Terrazas, Thomson and Townsend, and State Senators Baca, Brandt, Burt, Campos, Cervantes, Diamond, Gallegos, Gonzales, Griggs, Hemphill, Hickey, Ingle,



MFA Strategic Plan Benchmarks FY 2022

		Kernan, Moores, Munoz, Neville, O'Neill, Ortiz y Pino, Padilla, Pirtle, Pope, Rodriguez, Schmedes, Sharer, Stefanics, Steinborn, Stewart, Tallman, Wirth and Woods). YTD unduplicated number is 95.
Q3	On Target	During Q3, MFA met with four local governments (Ruidoso, Los Lunas, Santa Fe Public Schools and Grants), six elected officials or their staff (Senator Heinrich, Representative Stansbury, State Senator Ortiz y Pino, and State Representatives Romero, Dixon and Chandler), six potential new partners (Washington Office of Rural and Farmworkers Housing, Mesa del Sol, State of New Mexico Aging and Long Term Services Department, New Mexico Municipal League, TriState, and Spire Development), and one tribal government (Pueblo of Isleta). YTD unduplicated number is 104.
Q4	Met	During Q4, MFA met with Representative Rubio, Representative Herndon, Senator Moores, Office of Rural and Farmworker Housing, Representative Cadena, Representative Small, Representative Sweetser, New Mexico Association of Counties, Senator Heinrich, Representative Stansbury, Senator Lujan, Urban Land Institute, Artisan Guild Construction, City of Gallup, Town of Bernalillo and Magdalena School District. Representative Ezzell, Rep. Nibert, Rep. Townsend, Mayor of Taos - Maestas, Taos County Manager Jaramillo, Meeting with State Land Commissioner - Garcia Richard, Albq City Councilor Renee Grout, Rep Sweetser, Rep Rod Montoya. YTD unduplicated number is 114.



Benchmark: 11

Provide at least 50 formal group training opportunities for property owners, developers, service providers and/or lenders

Q1	On Target	During Q1, MFA held seven trainings, including four single family mortgage trainings with 107 participants, a QAP training, a CDBG-RHP RFP training as well as a 4 for Housing, LLC training.
Q2	On Target	During Q2, the Community Development Department held a total of 7 Peer Exchanges (COC, EHAP, HOPWA, Linkages, Rap Rehab/Vet & a WAP PAC meeting). Additionally, MFA held 27 homeownership trainings. Total YTD is 41.
Q3	Met	During Q3, Homeownership held 11 trainings. YTD total is 52.
Q4	Met	CDD provided 6 formal Peer Exchange trainings in the 4th quarter. RAP on 7/6 HOPWA on 7/19 YHDP & EHAP Shelters on 8/11 NM Energy\$mart on 9/19 HOME Rehab on 9/26 COC on 9/28; HD provided Section 3 and HUD Setup/Completion Form training to Yes Housing, Inc and Pavillion Construction on 9/26; HD provided Environmental Review Process training to San Felipe and Ohkay Owingeh on 9/26; AMD provided a VAWA training for our owners/agents on 9/27



MFA Strategic Plan Benchmarks

FY 2022

YTD: 61



Benchmark: 12

Implement MFA housing summit or open house.

Q1	On Target	Summit is planned for Sept. 14-16, 2022.
Q2	On Target	Summit planning is continuing for Sept. 14-16, 2022.
Q3	On Target	Summit is in the final stages of planning for Sept. 14-16, 2022.
Q4	Met	The Housing Summit was held on Sept. 14-16, 2022. The attendance for the summit was at maximum capacity for the venue and had a record number of attendees, with 500+ in attendance.

Goal 3 - Maintain judicious financial stewardship and principled, efficient business practices



Benchmark: 13

Obtain unqualified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs, excluding first-time audits

Q1	New	Audit is delayed pending OMB audit guidance for the HAF Program ARPA funds.
Q2	Met	The Board approved the audit in March, which included an unqualified opinion and no material weaknesses.
Q3	Met	Met in Q2.
Q4	Met	Met in Q2



Benchmark: 14

Maintain or improve credit rating

Q1	On Target	No ratings activity during the quarter. MFA maintains a Aa3 Stable rating on its issuer credit rating.
Q2	On Target	There was no ratings activity during the quarter. MFA maintains a Aa3 Stable rating on its issuer credit rating.
Q3	On Target	There was no new rating activity during the quarter. MFA maintains an Aa3 Stable rating on its issuer credit rating.
Q4	Met	There was no new rating activity during the quarter. MFA maintains an Aa3 Stable rating on its issuer credit rating.



Benchmark: 15

Achieve operating performance and profitability equal to net revenues over total revenues of at least 11.3%, based on five-year average.

Q1	On Target	Operating performance and profitability as of 12/31/21 is 7.5%.
Q2	On Target	Operating performance and profitability as of 3/31/22 is 11.4%.
Q3	Caution	Operating performance and profitability as of 6/30/22 was 10.1%.
Q4	Not Met	Operating performance and profitability as of 9/30/22 is 11.1%. It is within the lower end of the 10-15% optimal range.



MFA Strategic Plan Benchmarks FY 2022



Benchmark: 16

Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 26.8%, based on five-year average.

Q1	On Target	Balance sheet strength as of 12/31/21 is 27.4%.
Q2	On Target	Balance sheet strength as of 3/31/22 is 27.8%.
Q3	On Target	Balance sheet strength as of 6/30/22 is 27.0%.
Q4	Not Met	Balance sheet strength as of 9/30/22 is 26.1%. It is greater than 20% and considered strong.



Benchmark: 17

Realize administrative fee of at least 18 basis points on all bond issues

Q1	On Target	MFA closed on the 2021 Series D bond issue and realized an administrative fee of 18 basis points.
Q2	On Target	MFA closed on the 2022 Series A bond issue and realized an administrative fee of 18 basis points. MFA Closed on the 2022 Series B (taxable refunding) and expects to realize an administrative fee of 1.618%.
Q3	On Target	MFA closed on the 2022 Series C bond issue and realized an administrative fee of 18 basis points.
Q4	Met	MFA closed on the 2022 Series D bond issue and realized an administrative fee of 18 basis points.



Benchmark: 18

Realize profitability of .5% on TBA executions

Q1	On Target	MFA completed the first quarter with a FYTD TBA profitability of 1.40%.
Q2	Caution	MFA completed the second quarter with a FYTD TBA profitability of 0.87%.
Q3	Caution	MFA completed the third quarter with a FYTD TBA profitability of 0.46%. The TBA market has experienced volatility to the point where it is no longer functional. MFA is currently not utilizing TBA for either First Home or Next Home.
Q4	Not Met	MFA completed the fourth quarter with a FYTD TBA profitability of 0.33%. The TBA market has experienced volatility to the point where it is no longer functional. MFA is currently not utilizing TBA for either First Home or Next Home.



Benchmark: 19

Maintain servicing fee yield at an average of 0.41% of the purchased servicing portfolio

Q1	On Target	The servicing fee yield at 12/31/21 is .42%.
Q2	On Target	The servicing fee yield at 03/31/22 is .42%.
Q3	On Target	The servicing fee yield at 06/30/22 is .41%.
Q4	Met	The servicing fee yield at 9/30/22 is .41%.





MFA Strategic Plan Benchmarks FY 2022

Benchmark: 20

Earn 100% base fees for PBCA contract

Q1	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned.
Q2	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned.
Q3	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned.
Q4	Met	All PBCA tasks were completed as required by the contract, and 100% of the base fees were earned for this quarter and the fiscal year.



Benchmark: 21

Yield a collection rate of 95% or greater for compliance monitoring fees

Q1	On Target	Invoices for compliance fees were processed and sent out to owner/agents this quarter.
Q2	On Target	As of 3/31/2022, 92% of the compliance fees have been collected.
Q3	Met	As of 6/30/2022, 99% of the compliance fees have been collected.
Q4	Met	Completed 100% of the compliance fees have been collected.



Benchmark: 22

Meet commitment and expenditure requirement of 95% of recurring grant funding

Q1	On Target	The commitment and expenditures rate at 12/31/21 is 100%.
Q2	On Target	The commitment and expenditures rate at 3/31/22 is 96%.
Q3	On Target	The commitment and expenditures rate at 6/30/22 is 96%.
Q4	Not Met	The commitment and expenditures rate at 9/30/22 is 93%.



Benchmark: 23

Provide at least \$7,700,000 in resources for affordable housing through expenditure of New Mexico Housing Trust Funds, contributions through the state affordable tax credit program, and allocations of 4% LIHTCs.

Q1	On Target	Total of resources provided in Q1 is \$4,228,046.
Q2	On Target	No closings in Q2. Total of resources provided in Q1 was \$4,228,046 for a YTD total of \$4,228,046.
Q3	On Target	Total of resources provided in Q3 was \$719,682 for a YTD total of \$4,947,731.
Q4	Met	Total of resources provided in Q4 was \$3,348,070 for a YTD total of \$8,295,801.



Benchmark: 24



MFA Strategic Plan Benchmarks FY 2022

Evaluate at least one new business model or financial tool

Q1	Met	In Q1, MFA evaluated changes to bond issuance strategy in anticipation of a rising interest rate environment.
Q2	Met	In Q2, MFA started researching if MFA should become our own service provider. YTD evaluated is two.
Q3	Met	In Q3, MFA evaluated and implemented Govenda software for board meetings. YTD total evaluated is three and implemented is one.
Q4	Met	In Q4, MFA created the Acquisition Rehab Resale Program Project Feasibility Tool which will be used to evaluate financial feasibility on a per project level. YTD evaluated is four and implemented is one.



Benchmark: 25

Increase funding by at least six new source

Q1	On Target	During Q1, MFA increased funding by one new source. In December 2021 the New Mexico State Legislature appropriated \$15 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (FRF) to MFA for energy efficient affordable housing.
Q2	On Target	During Q2, MFA increased its funding sources by four new sources. During the 2022 Legislative Session, the state legislature appropriated \$10 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (FRF) for affordable housing through the New Mexico Housing Trust Fund (NMHTF), an additional \$9 million in capital outlay through NMHTF, and approved SB 134, which created recurring funding to the NMHTF through severance tax bonding capacity. Additionally, MFA executed a grant agreement with the State's Department of Finance and Administration (DFA) to administer \$4.66 million in CDBG-CV funding to support the development of two rental communities. YTD total new funding sources added is five.
Q3	On Target	During Q3, MFA did not add any new funding sources. YTD total new funding sources added is five.
Q4	Met	During Q4, MFA executed a grant agreement with the State's Aging and Long Term Services Department for funding to support rural senior housing. YTD total sources is six.



Benchmark: 26

Improve at least 15 MFA processes or resources

Q1	On Target	During Q1, the Servicing Department implemented the process of improvement of a combination of lockbox. This process improvement impacts daily and month-end processes and saves time as Servicing only needs to run one file for one-time payments and only reconcile month-end batch totals one time. Additionally, the Communications Department implemented an online ticketing system that improved the efficiency of its processes. YTD processes improved is two.
Q2	On Target	First, Servicing in response to Payment History Requests, created a 'dummy' account in the MFA online portal allowing the customer service rep to navigate the screens of the MFA online portal to walk the borrower through obtaining the information on a self serve basis. Next, Servicing with the help of IT for Document Requests, added Desktop FAX capabilities allowing the customer service representative the ability to FAX documents via their desktop, providing additional work tools to save time and provide additional tools for teleworking. Additionally, for Mitas reporting, a report was created to identify balances below \$100. This allows Servicing to be proactive in reaching out to borrowers with a low balance for pay off. This is a quick report that can be generated instantaneously. Next, IT created a database to convert Idaho Text files to Database files. This removes the step for staff to have to convert text file to excel files. Also,



MFA Strategic Plan Benchmarks FY 2022

templates were created for cutoff, Trial Balance and arrears reports to import monthly data when needed. This is now a quick process where the months reports can be created using the templates. Further, Servicing and Marketing created borrower friendly links on the MFA Homepage, which gives immediate access to the Servicing page, and quick access to Servicing links from the HOME page. It also allows staff to provide direction to borrower from HOME Page. In addition, MFA transitioned to the Govenda Board Portal for monthly board meetings. Finally, credit card processing was expanded and enhanced through online services. YTD processes improved is ten.

Q3	Met	<p>During Q3, MFA implemented nine process improvements. First, Servicing implemented the Paymentus IVR system allowing borrowers to make payments via this automated system without having to speak directly to a customer service representative. This process improvement also saves the borrower \$9.05 pay by phone fees. Next, Servicing completed the Home POA Project in May 2022. The department notified approximately 1,400 borrowers whose loan has been forgiven and that the release would be mailed to them in the coming weeks. As of June 2022 the team has completed and mailed 337 HOME releases. Additionally, Servicing improved the Home Credit Bureau system. Staff validated all HOME loans are successfully populated with the period of affordability date. A batch report was created to validate and track the POA dates and will be run on a monthly bases to update the system and issue releases timely. Next, The IT department has turned over the capability of running WX reports to the WX team. This has helped obtain data quickly and removed extra unnecessary strain on IT. The information can be tailored to be more specific and work with the data instead of continuing to put in more requests if something is missing or more information is needed. The data is used to meet important program goals. Additionally, IT implemented on-line invoicing systems for YHDP, the Espanola Shelter and \$50,000 received from Falling colors, which went live as of 7/1/22. Further, MFA obtained board approval to streamline the delegations of authority. Finally, MFA enhanced ADP to offer training and other resources through the system for MFA staff. YTD processes improved is 19.</p>
Q4	Met	<p>Servicing has translated the borrower ACH Setup and Removal and Welcome package to Spanish, making it easier for our new Spanish speaking borrowers to understand the process of setting up recurring payments, where to make their payment, and how obtain their loan information. In Q4, MFA evaluated and implemented the use of an Annual Bond resolution for Single Family bond issuances. This financial tool will make the bond issuance process more efficient. YTD processes improved is 21.</p>

Goal 4 - Provide robust technology solutions



Benchmark: 27

Maintain a RS3 score greater than or equal to 765 averaged over four quarters

Q1	On Target	<p>MFA's internal and external penetration testing was completed on 11/2/2021. MFA received a RiskSense Security Score (RS3) of 803 (low risk). RS3 represents MFA's cyber security posture, measuring risk posed by existing vulnerabilities and current potential threats. The rating range is from 300 (high risk) to 850 (very low risk).</p>
Q2	On Target	<p>MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 791. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training in Q2. Average for first two quarters is 797.</p>
Q3	On Target	<p>MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 808. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training</p>



MFA Strategic Plan Benchmarks FY 2022

on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training in Q3. Average for first three quarters is 801.

Q4	Met	MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 808. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training in Q4. Average for the four quarters is 803.
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Benchmark: 28

Achieve a Recovery Point Objective (RPO) for infrastructure servers at or below ten minutes and a Recovery Time Objective (RTO) at or below six hours.

Q1	On Target	The current RPO for all critical infrastructure equipment is currently meeting the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just over one hour, which is below the goal of six.
Q2	On Target	The current RPO for all critical infrastructure equipment continues to meet the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just under one hour, which continues to be below the goal of six.
Q3	On Target	The Q3 RPO for all critical infrastructure equipment continues to meet the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just under one hour, which continues to be below the goal of six.
Q4	Met	The current RPO for all critical infrastructure equipment continues to meet the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just under one hour, which continues to be below the goal of six.



Benchmark: 29

Implement new software solutions

Q1	On Target	Completed the implementation of the IHFA ULDD data upload to Power Seller, several cyber-security measures including a new firewall installed and updates to Cisco AnyConnect, Duo Multi-factor Authentication, and Cisco Umbrella. SQL server audit and best practices implemented. RFP and selection of vendor for HAF program.
Q2	On Target	Working with Servicing on implementation of Paymentus, will be completed in Q3. Home Database enhancements in works and scheduled for Q3. YHDP reporting requirements gathered.
Q3	On Target	Completed Home Database enhancements, MITAS Check Register imported to Neghborly and OnlineInvoicing currently shutdown for updates that will be completed in Q4.
Q4	Met	Added Youth Homeless Demonstration Program, Espanola Pathways Shelter Program, and RAP: Falling Colors to online invoicing system for homeless and supportive services programs and added Weatherization Readiness Fund to New Mexico Energy Smart online invoicing system.

Goal 5 - Foster a dynamic work environment





MFA Strategic Plan Benchmarks FY 2022

Benchmark: 30

Participate in Annual Employee Engagement Survey and determine and implement actionable steps to address opportunities for improvement.

Q1	On Target	Survey will not occur until April timeframe
Q2	On Target	Registered for survey in April. Survey due to commence in May.
Q3	On Target	Engagement survey complete. Recognized as a finalist for Best Places to Work. Survey details released for review.
Q4	Met	Engagement survey complete. Recognized as a finalist for Best Places to Work. Actionable steps developed



Benchmark: 31

Complete compensation survey

Q1	On Target	Process to start third quarter
Q2	On Target	In progress
Q3	Met	Compensation Survey complete. Presenting to PC

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**Staff Actions Requiring Notice to Board
During the Period of October 2022**

Department and Program	Project	Action Taken	Comments / Date Approved
Asset Management Homeowner Assistance Fund (HAF) Program	Applicant File Review	Approval of Emergency Procurement Services to the lowest of two quotes	Approved by PC on October 4, 2022
Community Development Sustainable Energy Resources for Consumers (SERC)	State Plan revision to include Sustainable Energy Resource for Consumer (SERC) Grant Award	Approved the 2022-2023-State Plan revision to include the Sustainable Energy Resources for Consumers (SERC) grant award - MFA requested approval to revise the existing DOE State Plan to include an additional \$2M of the awarded Sustainable Energy Resources for Consumers (SERC) grant.	Approved by PC on October 18, 2022
Community Development ESG CARES Act	ESG CARES ACT funding Reallocation	Approval to reallocate \$1,949,738.77 of ESG CARES Act Rapid Rehousing/Homeless Prevention Program funds (RR/HP) to the ESG CARES Act (EHAP) program. This transfer will provide an opportunity to expend the funding by the September 30, 2023 deadline.	Approved by PC on October 31, 2022
Housing Development 9% LIHTC	Canyon Walk	Request to waive social services from the project and amend Land Use Restriction to reflect that waiver.	Approved by PC on October 4, 2022 Waiver did not change the ranking of this project in the competitive round, and allowed developer to increase the permanent loan to cover COVID-related cost overruns.
Policy & Planning	Foreclosure Prevention Housing Counseling & Legal Services RFP	RFP that was issued on January 19, 2022; reissued on August 9, 2022 was cancelled as of November 9, 2022.	Approved by ED/CEO on 11/9/22

Tab 21b

**Staff Actions Requiring Notice to Board
During the Period of October 13, 2022 – November 9, 2022 –**

Department and Program	Project	Action Taken	Comments / Date Approved



Quarterly Report to the MFA Board of Directors

Q4 FY2022

Production Statistics	Current Quarter	Same Quarter Last Year	Fiscal Year to Date
Homeownership			
Number of loans reserved	556	793	2,538
Amount of loans reserved	\$111,048,084	\$150,623,957	\$497,358,223
Number of loans purchased	456	721	2,218
Amount of loans purchased	\$89,873,359	\$137,309,576	\$430,234,428
Number of homebuyers counseled	328	900	1,617
Number of lenders/REALTORS contacted	1,473	1,138	5,895
Housing Development			
Amount of MF loans/grants/bonds	\$39,703,089	\$800,000	\$62,262,006
Amount of SF loans/grants	\$0	\$0	\$0
Amount of TC: LIHTC (MF) & State (MF & SF)	\$1,848,070	\$420,000	\$8,976,103
Number of MF units	514	113	1,458
Number of SF units	0	3	8
Housing Rehab & Weatherization			
Amount of rehab expenditures	\$449,333	\$405,133	\$676,213
Number of units rehabilitated	4	24	93
Amount of NM EnergySmart expenditures	\$2,452,231	\$1,828,189	\$8,135,456
Number of units weatherized	137	132	649
Shelter & Supportive Housing Programs			
Amount of shelter supportive service	\$992,329	\$1,399,868	\$4,767,595
Number of persons served ¹	1,930	1,745	5,063
Amount of rental assistance ²	\$1,569,800	\$1,563,542	\$6,837,770
Number of persons assisted	256	619	1,215

1 - Coc & EHAP
 2 - HOPWA, Linkages, RAP & YHDP



The need for MFA mortgage products:

MFA borrowers have an average annual income of \$55,386 and purchase homes with an average price of \$203,360. 39.04 percent are single-parent households; 57.02 percent are minorities.

MFA targets below market mortgage rates, and all first-time homebuyers receive pre-purchase counseling. MFA provides down payment assistance to 92.75 percent of its borrowers. Without these programs, many borrowers could not buy a home.



The need for housing development:

Only 4 percent of New Mexico's housing units are located in apartment complexes of 20 units or more. Many of these are old and in poor condition.

50 percent of renters are cost-burdened, about half pay between 30 percent and 49 percent of their income on rent; the other half pay more than 50 percent.



The need for housing rehabilitation and weatherization:

New Mexico has aging housing stock. 47 percent of its homes were built before 1980; only 18.4 percent were built after 2000. The average age of homes in NM is 35 years.

Many low-income homeowners are at risk because of health and safety hazards in their homes. They pay high utility bills because they cannot afford to make energy-efficiency improvements.



The Need for Assistance Programs:

The New Mexico Coalition to End Homelessness estimates that a total of 15,000 to 20,000 New Mexicans experience homelessness in a year.

The pandemic has increased the number of people experiencing homelessness.

While many people resolve their housing crisis on their own or with existing help, 6,500 people per year do not.

Solutions:

Rapid Rehousing which is rental assistance for up to 2 years.

Permanent Supportive Housing for people with disabilities which is housing and support services provided for as long as needed.

Coordinated Entry to keep track of everyone in need of housing and quickly match people to appropriate housing.



Quarterly Report to the MFA Board of Directors Q4 FY2022

Servicing	Current Quarter	Same Quarter Last Year	Target Rate
First Mortgage delinquency rate	0.00	0.00	
Partners Program delinquency rate	10.53	9.45	
DPA loan delinquency rate	7.80	7.76	
Multifamily loan delinquency rate	3.61	2.47	
Combined delinquency rate - Current Month	7.78	7.67	
Combined average delinquency rate-FY	8.03	8.01	9.00
Default rate (writeoffs/foreclosure losses)	0.80	0.65	1.30
Master Servicing MBS delinquency rate	8.83	11.14	
REO Inventory - # of loans	0	1	
REO Inventory - Exposure	\$0	\$47,715	



MFA's Servicing Department:

Provides servicing for over 15,314 loans with a principal balance over \$324 million.

Many of the loans MFA services are for internal programs that target higher risk borrowers. MFA's Mortgage-Backed Securities (MBS) portfolio is serviced by our sub-servicer.

Delinquency rates in this portfolio can be benchmarked to Mortgage Banker Association averages 3.80 percent for all loans in New Mexico and 7.25 percent for FHA in New Mexico as of 6/30/2022.

Monitoring	Current Quarter	Year to Date	Fiscal Year Monitoring Required
Asset Management			
Number of properties monitored	40	313	207
Number of units inspected	282	1800	N/A
Number of files reviewed	359	2231	N/A
Number of PBCA activities	298	1191	N/A
Community Development			
Number of required monitorings ³	7	7	58

³ - based on program year, 7/1 - 6/30



MFA's Asset Management Department:

Monitors 271 properties and 18,255 units of housing financed by MFA, providing unit inspections and review of records and finances on a regular basis. Asset Management also supports 86 properties and 5,189 units under MFA's HUD Project Based Contract Administrator (PBCA) contract.



MFA's Community Development Department:

Manages ten programs with multiple different funding sources, and approximately 91 partners across the state. Our partners deliver housing to more than 9,300 individuals and receive approximately \$17 million in funding. Monitoring is performed on a regular basis to ensure program compliance.