



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting

344 4th St. SW, Albuquerque, NM

Wednesday, October 16, 2019 at 9:30 a.m.

Agenda

Chair Convenes Meeting

- Roll Call (Jay Czar)
- Approval of Agenda – Board Action
- Approval of September 18, 2019 Board Meeting Minutes – Board Action
- Approval of September 18, 2019 Executive Director Succession Planning Board Study Session Minutes – Board Action

Board Action Items

Action Required?

Finance Committee & Contracted Services/Credit Committee

- | | | |
|---|---|-----|
| 1 | Internal Audit Follow Up on Open Observations Executive Summary (Claire Hilleary, REDW) | YES |
| 2 | Internal Audit FY19 Budget v. Actual (Claire Hilleary, REDW) | YES |
| 3 | Low Income Housing Tax Credit Project Audit (Claire Hilleary, REDW) | YES |
| 4 | Hope Village NHTF Award Modification (Kevin Drexel/Izzy Hernandez) | YES |
| 5 | Partner's Program Revisions (Jeff Payne) | YES |
| 6 | Internal Audit Services Award Recommendation (Robyn Powell) | YES |
| 7 | Compliance Activities Report (Robyn Powell) | NO |
| 8 | Ceja Vista – National Housing Trust Fund (Sharlynn Rosales/ Kevin Drexel) | YES |
| 9 | Soleras Station State Tax Credit Award (Shawn Colbert/Kevin Drexel) | YES |

Other

- | | | |
|----|---|-----|
| 10 | MFA 2020 Legislative Agenda (Rebecca Velarde) | YES |
| 11 | Appointment and Approval of Board Finance Committee (Chair Reyes) | YES |

Other Board Items

Information Only

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

Reports

No Action Required

- 13 (Staff is available for questions)
- August 31, 2019 Financial Statements
 - Communications Department Reports

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings

- November 20, 2019 – time TBD a.m. Wednesday (Albuquerque – MFA)
- December 18, 2019 – 9:30 a.m. Wednesday (Albuquerque – MFA)
- January 22, 2020 – 9:30 a.m. Wednesday (Inn & Spa of Loretto, Santa Fe)

Adjournment



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting

344 4th St. SW, Albuquerque, NM

Wednesday, October 16, 2019 at 9:30 a.m.

Summary Agenda

Chair Convenes Meeting

- Roll Call (Jay Czar)
- Approval of Agenda – Board Action
- Approval of September 18, 2019 Board Meeting Minutes – Board Action
- Approval of September 18, 2019 Executive Director Succession Planning Board Study Session Minutes – Board Action

Board Action Items

Action Required?

Finance Committee & Contracted Services/Credit Committee

- 1 Internal Audit Follow Up on Open Observations Executive Summary (Claire Hilleary, REDW)** – REDW will present the FY19 Open Observations Executive Summary to the Board. This summary provides status of all internal audit findings from audit activities throughout the year. YES
- 2 Internal Audit FY19 Budget v. Actual (Claire Hilleary, REDW)** - REDW will present the FY19 hours billed for internal audit, quality control and other consulting engagements. YES
- 3 Low Income Housing Tax Credit Project Audit (Claire Hilleary, REDW)** -REDW will be providing a report on the Low-Income Housing Tax Credit Project Audit conducted. YES
- 4 Hope Village NHTF Award Modification (Kevin Drexel)** - Staff is recommending that the \$3,000,000 National Housing Trust Fund loan originally awarded to Hope Village be increased by \$1,250,000 for a total loan award of \$4,250,000 so that this much needed project proceeds to serve the homeless individuals in Albuquerque. YES
- 5 Partner's Program Revisions (Jeff Payne)** - Staff proposes changes to the single-family Partners Program as outlined in the “Partners Program 2019 Policy” document. The proposed changes will expand origination options to better match our partners’ situations and to originate Partners loans when retail mortgage lenders and banks are not available to participate in the process. Partners loans are designed to fulfill MFA’s mission to support third party non-profits in promoting homeownership to New Mexico’s low-income population, to provide options for originating loans while mitigating risk to an acceptable level. YES
- 6 Internal Audit Services Award Recommendation (Robyn Powell)** - The Board approved the Request for Proposal for Internal Audit & Related Services on August 20, 2019. We received three responses, which met the Minimum Requirements, and was scored. Staff recommends the Internal Audit Services award be made to REDW. YES
- 7 Compliance Activities Report (Robyn Powell)** - The activities described in this report are intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk. Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department’s responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified during this reporting period. YES
- 8 Ceja Vista – National Housing Trust Fund (Sharlynn Rosales/ Kevin Drexel)** - New Construction of 156-unit apartment complex located in Albuquerque, NM. Loan requests made in conjunction with a 4% LIHTC request. YES
- 9 Soleras Station State Tax Credit Award (Kevin Drexel/Shawn Colbert)** - Soleras Station State Tax Credit Award (Patty Balderrama) - Staff recommends approval of a 2019 State Tax Credit Award for Soleras Station for \$686,671. This multi-family project is new construction of 87 rental units located within the Las Soleras subdivision in Santa Fe, NM. The project has received a 2017 LIHTC award in the amount of \$1,081,327, and a HOME award of \$450,000. Pulte Homes donated \$1,373,342 directly to the project in cash, property, and in-kind donations. YES

Other

- 10 MFA 2020 Legislative Agenda (Rebecca Velarde)** - Board approval is requested for MFA’s legislative agenda for the 2020 New Mexico Legislative Session. The 2020 legislative agenda includes seven appropriations requests: Regional

Housing Authority Oversight, Affordable Housing Act Oversight, the New Mexico Housing Trust Fund, the NM EnergySmart Program, Veteran Home Rehabilitation, Emergency Home Repair and Homebuyer Counseling. YES

- 11 Appointment and Approval of Board Finance Committee (Chair Reyes)** - Chair Reyes will appoint a new member to the Finance Committee – (Audit, Budget, Investments/Personnel, Program Policy & Development, Bond Structures, Investment Banking Underwriting). YES

Other Board Items **Information Only**

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

Reports **No Action Required**

- 13 (Staff is available for questions)**
- August 31, 2019 Financial Statements
 - Communications Department Reports

Announcements and Adjournment **Discussion Only**

Confirmation of Upcoming Board Meetings

- November 20, 2019 – time TBD a.m. Wednesday (Albuquerque – MFA)
- December 18, 2019 – 9:30 a.m. Wednesday (Albuquerque – MFA)
- January 22, 2020 – 9:30 a.m. Wednesday (Inn & Spa of Loretto, Santa Fe)

Adjournment

Minutes

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting Minutes

344 4th St. SW, Albuquerque, NM

Wednesday, September 18, 2019 at 9:30 a.m.

Chair Reyes convened the meeting on September 18, 2019 at 9:28 a.m. Secretary Czar called the roll Members present: Chair Angel Reyes, Vice Chair Derek Valdo, Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor Howie Morales, Rebecca Wurzburger, Tim Eichenberg and Randy McMillan. Absent: None. Czar 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 attended and staff. He informed everyone that the meeting was being webcast, making reference to the microphone sensitivity.

Approval of Agenda - Board Action. Motion to approve the September 18, 2019, 2019 Board agenda as presented: Wurzburger. Second: Malavé. Vote: 7-0.

Approval of August 20, 2019 Board Meeting Minutes Motion to approve the August 20, 2019 Board Meeting Minutes as presented: Malavé. Second: Wurzburger. Vote: 7-0.

Approval of August 20-21, 2019 Board Retreat Meeting Minutes – Board Action. Motion to approve the August 20-21, 2019 Board Retreat Meeting Minutes as presented: Morales. Second: Eichenberg. Vote: 7-0.

New Employee Introductions: Patrick Ortiz, director of asset management introduced Leann McDonald, Programs Analyst. Olivia Martinez, secondary marketing manager introduced Janet Armijo, Secondary Market Loan Processor. and Gina Bell, director of community development introduced John Garcia, assistant director of community development and Shawn Colbert, director of housing development introduced Kevin Drexel, assistant director of housing development,

Finance Committee

- 1 Information Technology Security Internal Audit Report (Jessica Bundy, REDW, Jennifer Moreno, REDW, Tina MacGregor, Consultant for REDW).** Bundy introduced Tina McGregor, Consultant for REDW. McGregor stated that the purpose of this audit was to assist MFA in evaluating compliance with policies and procedures relating to Information Technology (IT) security. The internal audit focused on evaluating MFA's IT security processes and controls to assist management in determining whether processes related to data security were in compliance with policies and procedures (P&Ps), reflected best security practices and sound internal controls. McGregor reviewed the report located behind tab one, which included the following; Purpose and Objectives, Scope and Procedures Performed, Observations, Recommendation and Management Response and Process Improvement Opportunities. Four reportable observations were discussed as well as several process improvement opportunities. Chair Reyes thanked the board for their questions and commended Joseph and his staff on their work in staying ahead of this, stating it is something we will continue to talk about. Motion to approve the Information Technology Security Internal Audit Report as presented: Wurzburger. Second: Malavé. Vote: 7-0.
- 2 Production Statistics (Gina Hickman & Izzy Hernandez).** Hickman informed the Board that this is an annual presentation which is provided in conjunction with the presentation of the annual budget. She and Hernandez provided financial highlights, data on assets managed, financial performance indicators and production results over the last 10 years. The production statistics are located behind tab two and will be made a part of the official Board packet. Non-Action Item.
- 3 FY 2019-2020 General Fund Budget (Yvonne Segovia).** Segovia reviewed the MFA's General Fund proposed budget for FY 2019-2020 being recommended for approval. Revenue is projected at \$22,836,000, an increase of \$691,000 or 3% over prior year budget and an increase of \$2,279,000 or 13% over projected 9/30/19 actual. The expense budget is projected at \$19,266,000, an increase of \$1,231,000 or 7% over prior year budget and an increase of \$2,968,000 or 18% over 9/30/19 projected actual. The FY 2019-2020 budgeted

excess revenue over expenses is \$4,261,000. The capital budget is \$4,834,000, an increase of \$245,000 or 5% over prior year budget and an increase of \$993,000 or 26% over projected actual. Motion to approve the FY2019-2020 General Fund Budget as recommended: Wurzburger. Second: Valdo. Vote: 7-0.

- 4 FY 2019-2020 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia).** Segovia reviewed the NM Affordable Housing Charitable Trust Budget being recommended for approval. Revenue is projected at \$38,500, and the expense budget is projected at \$5,100, resulting in a FY 2019-2020 budgeted excess revenue over expenses of \$33,400. Motion to approve the FY2019-2020 NM Affordable Housing Charitable Trust Budget as presented: Eichenberg. Second: McMillan. Vote: 7-0.
- 5 2020 Areas of Statistically Demonstrated Need for 2020 Qualified Allocation Plan (Kathryn Turner).** Turner reviewed the handouts provided behind tab five, they are: a memorandum explaining Selection Methodology, the 2020 Areas of Statistically Demonstrated Need and the Tier 1 and Tier 2 Selection Methodology. She explained the selection methodology as set forth in the attached table stating that this generally involves analyzing population growth and vacancy rental rates. She further explained the methodology stating that in order for an area to be considered as an Area of Statistically Demonstrated Need; and qualification for tiers 1 and 2. She informed the board that once an area has been identified as an area of need it will remain an area of need for a minimum of two years. She reviewed the counties that fall under Tiers one and two, they are: The areas which qualify as Tier 1 (10 points) will include the following eight (8) counties: Santa Fe, Valencia, Dona Ana, Eddy, Lea*, Los Alamos, Otero, and Sandoval**. Note: Counties identified with an asterisk (*) will remain as Tier 1 based on last year's data and will be removed from the Tier 1 list next year unless qualified based on next year's data**. Vacancy rate for Sandoval County is a weighted average of Rio Rancho (2.9%) and Sandoval (3.2%) data. Tier 2 areas (5 points) include the following nine (9) counties: Bernalillo, Chaves, Grant, Lincoln, McKinley, San Juan, San Miguel, Torrance and Sierra. Staff recommends approval of the attached Selection Methodology and the attached 2020 list of Areas of Statistically Demonstrated Need. Motion to approve the 2020 Areas of Statistically Demonstrated Need for 2020 Qualified Allocation Plan as presented. Malavé. Second: Valdo. Vote: 7-0.
- 6 Single Family Mortgage Program Policy Revisions (René Acuña).** Acuña began by requesting board approval for the Single-Family Mortgage Program Policy Revisions. He further explained that barriers in lending to borrowers with incomes above 80 percent of Area Media Income (AMI) recently imposed by Fannie Mae have caused MFA to re-evaluate this exclusive relationship. MFA seeks to expand our ability to offer conventional lending options to participating lenders and ultimately New Mexico homebuyers, by updating FIRSTHome, NEXTHome, FIRSTDowN and NEXTDowN policies to include the ability to accept and sell loans to Freddie Mac. Acuña reviewed the changes to the policies for each of the programs listed. Motion to approve the Single-Family Mortgage Program Policy Revisions as presented: Wurzburger. Second: Malavé. Vote: 7-0.
- 7 MFA Strategic Plan, Changes for Year 3 (FY 2020) (Rebecca Velarde).** Velarde began her presentation by reminding the Board that MFA adopted a 5-year strategic plan for FY 2018-2022. She informed the Board approval is requested for changes to MFA's FY 2018-2022 Strategic Plan for Year 3 (FY 2020). MFA will complete the second year (FY 2019) of the plan on September 30, 2019 and will begin the third year (FY 2020) on October 1, 2019. Velarde reviewed Year 3 of the strategic plan changes which includes new/changed strategic initiatives and benchmarks. The Strategic plan including the recommended changes is located behind tab seven and will be made a part of the official board packet. Motion to approve the MFA Strategic Plan, Changes for Year 3 (FY 2020) as presented: Wurzburger. Second: Morales. Vote:7-0.
- 8 Election of Officers (Chair Reyes).** Chair Reyes and Nominating Committee presented two board members to fill the vacant MFA Officer Positions of Vice Chair and Treasurer, they are: Vice Chair Derek Valdo and Treasurer Rebecca Wurzburger. Motion to approve the vacant officer positions of Vice Chair and Treasurer as recommended: McMillan. Second: Morales. Vote: 7-0.

- 9 Appointment and Approval of Board Committees (Chair Reyes).** Chair Reyes recommends the appointment of three members to each of the following board committees Finance Committee (Audit, Budget, Investments/Personnel, Program Policy & Development, Bond Structures, Investment Banking Underwriting) and Contracted Services/Credit Committee (HOME, Risk Share, Housing Opportunity Fund (HOF), Loans, Contracts). Finance Committee members are as follows: Chair Derek Valdo, Angel Reyes and Lieutenant Governor Howie Morales. Contracted Services/Credit Committee members are as follows: Chair Rebecca Wurzburger, Sally Malavé and Randy McMillan. Motion to approve the Appointment and Approval of Board Committees as recommended. Eichenberg. Second: Wurzburger. Vote: 7-0.
- 10 Chair Reyes disclosures in relation to Partners Program and Board action on Partners Program Applications (Jeremiah Ritchie).** Chair Reyes turned his duties of the meeting over to Vice Chair Valdo prior to the board discussing this particular matter. Ritchie began by stating that whenever there is an agreement between MFA and a business in which a member has a financial interest, the interest must be disclosed to the board by counsel. Any transactions exceeding \$10,000 in value would require board approval. Ritchie stated that changes to the Partners Program were approved by the board in 2017, which changes required for the first time that an experienced lender serve as underwriter and assist with processing applications in order to improve the quality of the applications. In the time following those changes, MFA and its local partners had been unable to secure the participation of any experienced lender, and as a result, no loans have been purchased under the Partners Program for approximately two years. At the request of local participants, Chairman Reyes, on behalf of Centinel Bank of Taos, entered into a Fee for Services Agreement (“Agreement”) with MFA to assist applicants under the Partner’s Program with the underwriting, disclosures, and closing of eligible loans. Ritchie informed the board that he had evaluated the agreement and consulted with staff and Chairman Reyes for background information on the Partners Program and Centinel’s role and responsibilities under the Agreement. Ritchie informed the board that Centinel would receive less than \$2,000 per-year under the Agreement, based on past activity under the Partners Program. Ritchie informed the board that Chairman Reyes had updated his disclosures to reflect the Agreement, its approximate value, and its relationship to the Partners Program, specifically. The Agreement between Centinel and MFA is not a transaction that exceeds \$10,000 and does not require Board approval. Ritchie also advised the board that Chairman Reyes should abstain from any future votes on the Partners Program that would affect his interest in Centinel or the Agreement between Centinel and MFA. Ritchie further advised the Board that there was some question as to whether Board action was required to approve prospective individual loan purchases where the value of the transaction would exceed \$10,000, even though Centinel was not buying or selling the loan. Ritchie recommended that the Board resolve any ambiguity by taking action to re-authorize those loans as approved by staff, pursuant to the current Partner’s Program policies, with the benefit of disclosure of the Agreement. Motion to authorize staff to continue to administer Partners Program and to approve future loan requests pursuant to the Partners Program procedures: Wurzburger. Second: Eichenberg. Vote: 6-0 (Chair Reyes abstained).
- 11 Housing Opportunity Fund Appropriations (Yvonne Segovia).** Segovia explained that in order to meet anticipated demand, Staff recommends \$8,262,000 be appropriated to the First Down DPA Loan Program, of which \$3,372,000 will be transferred from the Primero Program, \$281,000 will be transferred from the Partners Program, \$2,961,000 will be transferred from the Access Program, resulting in \$1,648,000 of new funds being appropriated to the Housing Opportunity Fund. Motion to approve the Housing Opportunity Fund Appropriations as recommended. Eichenberg. Second: Wurzburger. Vote: 7-0.

Contracted Services/Credit Committee

- 12 Commissioner Recommendation for Western Regional Housing Authority (Gina Bell).** Bell began by reminding the Board as required by the Regional Housing Act, Section 5. 11-3A-6 E, “Powers of Regional Housing Authority in Board of Commissioners, Appointment of Board of Regional Housing Authorities and Terms”, all recommendations for appointment as commissioners are to be forwarded to and reviewed by the MFA prior to recommendation to the Governor. She informed the Board that Western Regional Housing Authority has a vacancy on its Board of Commissioners for Grant County. Martha Salas fulfills the requirements per the state statute SB 48 and has expressed interest in serving as a commissioner. Staff recommends board approval and submission of the recommendation to Governor Lujan-Grisham for approval

and appointment. Motion to approve Martha Salas as Commissioner for Western Regional Housing Authority as recommended: Malavé. Second: Morales. Vote: 7-0. Bell to provide a list of all the members as well as vacancies as requested from Lieutenant Governor Morales.

13 Approval for Eastern Regional Housing Authority (ERHA) to Sell Rio Felix Apartments (Gina Bell & Chris Herbert executive director ERHA). Bell reminded the board that Senate Bill 20 (Laws of New Mexico 2009, Chapter 28) requires that MFA provide oversight of certain activities. This oversight includes approval of a Regional Housing Authority's need to enter into a transfer, sell or liquidation of real or personal property or to sign any contract, memorandum of understanding or other agreement with a value greater than \$100,000. In February 2018, MFA's Board of Directors approved the sale of the Rio Felix Apartment however the sale fell through so ERHA reissued an RFP. Bell reviewed the history of the project as well as steps take to sell Rio Felix. As required by Senate Bill 20, staff is seeking MFA Board approval for the sale of the Rio Felix Apartments located in Hagerman to Turnaround Properties, LLC in the amount of \$460,000. Rio Felix Apartments is owned by the Regional Housing Authority of Region VI, New Mexico Inc., a New Mexico non-profit corporation and wholly owned subsidiary of Eastern Regional Housing Authority. The memo as well as the supporting documents are located behind tab thirteen and will be made a part of the official board packet. Bell explained that Contracted Services/Credit Committee had additional questions that staff was not able to answer so Eastern Regional Housing Authority's Executive Director Chris Herbert joined her for today's presentation. Herbert also introduced Cesar Morenco, development director. Herbert informed the board the RFP was marketed. He informed the board that they had received one offer and was excepted. He addressed the comparables/values stating that they were listed in the appraisal. No Land Use Restriction were placed on the buyer. He addressed gross rents and expenses. He spoke about the buyer Turnaround Properties, LLC and their experience. He ended by stating that the funds received from this sale will go to the development department to further their mission. There was discussion as to whether the marketing efforts were sufficient to obtain the best offer, and Herbert stated that ERHA had exceeded the requirements of the Procurement Code. Motion to approve Eastern Regional Housing Authority (ERHA) to Sell Rio Felix Apartments as presented: Wurzburger. Second: Morales. Vote: 5-2. (McMillan and Eichenberg).

14 State Neighborhood Stabilization Program ("NSP") RFP (Izzy Hernandez). Hernandez began by informing the board that staff recommends approval of the 2019 State Neighborhood Stabilization Program ("NSP") RFP. He stated that the Contracted Services Committee recommended the RFP move forward to the Board with some additional language to tie service provider compensation to at least breaking even on each property. Hernandez informed the Board that research was conducted by staff regarding the issue and he would highlight key points after reviewing the RFP. He informed the board that MFA would be receiving funds from the U.S. Department of Housing and Urban Development (HUD) for the purpose of Neighborhood Stabilization Program (NSP) which is authorized under the Housing and Economic Recovery Act of 2008 (HERA), through the New Mexico Department of Finance and Administration (DFA). The purpose of NSP is to assist communities that have been or are likely to be affected by foreclosed and abandoned properties. MFA has received NSP1 and NSP3 funds for targeted areas for each allocation. Funds are available to eligible nonprofit, for profit organizations and local participating cities (service providers) to assist MFA in its mission to provide services to low- and moderate-income residents. The program provides funding to service providers for acquisition, rehabilitation, and sale/rent in NSP approved areas. The estimated funding available for award under this 2019-2020 NSP RFP is \$3,526,506. MFA will receive an administration fee of \$283,181. (estimated). The projected fees will cover MFA's cost to administer the program. MFA will select qualified service providers for MFA's State NSP. This RFP is issued pursuant to MFA's procurement policy to solicit applications from qualified Offerors capable of providing Acquisition, Rehabilitation, and Sale/Rent services in all NSP approved areas. Awards will be made through a scoring process and will be based on organization capacity, financial stability, experience with acquisition, rehabilitation and sale/rent of properties, implementation plan and wait list/readiness to proceed. Hernandez reviewed the RFP, the timeline, scoring criteria, activities, service areas (constraints of the program). Hernandez then addressed the questions that came up from contracted services/credit committee. The program was not designed to make money – it is not a market rate program for flippers to make money and there are constraints within the program to assist in this matter. Hernandez stated that it is usually going to be in low income area to confirm they are modest

neighborhoods. He reviewed the program rules. Motion to approve the State Neighborhood Stabilization Program (“NSP”) RFP as recommended: Malavé. Second: Valdo. Vote: 7-0.

Other Board Items - Information Only

15 There were no questions asked of staff.

- Staff Action Requiring Notice to Board
- 2019 Series D and 2019 Series E Single Family Bond Pricing
- JLG North Apartments Projects Series 2019 and JLG South Apartments Projects Series 2019 Multifamily Bond Pricing Summaries

Monthly Reports - No Action Required

16 There were no questions asked of staff.

- July 31, 2019 Financial Statements
- Communications Department Reports

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes informed the Board that the next Board of Directors meeting will be held on September 18, 2019 at the offices of the MFA.

There being no further business the meeting was adjourned at 12:51 p.m.

Approved: October 16, 2019

Chair, Angel Reyes

Secretary, Jay Czar

NEW MEXICO MORTGAGE FINANCE AUTHORITY

MFA Executive Director Succession Planning Minutes

344 4th St. SW, Albuquerque, NM

Wednesday, September 18, 2019 at 11:30 a.m.

Chair Reyes convened the meeting on September 18, 2019 at 1:10 p.m. Members present: Chair Angel Reyes, Vice Chair Derek Valdo, Lieutenant Governor Howie Morales, Sally Malavé (Designee for Attorney General Hector Balderas), Treasurer Tim Eichenberg, Randy McMillan and Rebecca Wurzburger. Absent: none. Everyone had been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Staff, General Counsel and guest present: Jay Czar, Gina Hickman, Izzy Hernandez, Dolores Wood, Sandra Marez, Jeremiah Ritchie - Board Counsel and Rosalyn Nguyen Chafey.

1 MFA Executive Director Succession Planning. Chair Reyes explained that this is a great opportunity to collaborate as a board. He reviewed the workplan and timetable that would be followed and the responsibilities of the MFA Board Succession Committee, which include Lieutenant Governor Morales, Vice Chair Valdo, and Chair Reyes. In order to begin this process Jay's retirement would be publicly noticed. He further stated that the board would have input beyond this meeting so that we make the best decision for the organization. Dolores Wood reviewed the Executive Directors Advertising Plan, Job Posting/Advertisement and Interview process. The board was asked for interview questions to be submitted for consideration.

A discussion between and among Members followed the training session. No action was taken by the Board.

There being no further business the meeting was adjourned at 2:17 p.m.

Approved: October 16, 2019

Chair, Angel Reyes

Secretary, Jay Czar

Tab 1



MFA

Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Wednesday, 9, 2019 at 10:00 a.m.

To dial in to the conference call dial: *All participants Dial-in number:*
*(605) 313-4821 Participant code: 561172 # Host Code: 561172 **

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 Internal Audit Follow Up on Open Observations Report (Claire Hilleary, REDW)	3-0	YES
2 Internal Audit FY19 Budget v. Actual (Claire Hilleary, REDW)	3-0	YES
3 Low Income Housing Tax Credit Project Audit (Claire Hilleary, REDW)	3-0	YES
4 Partner's Program Revisions (Jeff Payne) <i>Reyes Abstained</i>	2-0	YES
5 Internal Audit Services Award Recommendation (Robyn Powell)	3-0	YES

Committee Members present:

Derek Valdo, Chair

present

absent

conference call

Angel Reyes

present

absent

conference call

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

present

absent

conference call

Secretary: 
10/9/19



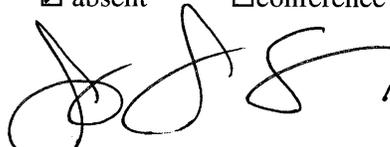
NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, October 8, 2019 @ 10:00 am
MFA – Albuquerque

To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in (605) 313-4821 Participant code: 561172 # Host Code: 561172 *

AGENDA ITEM	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 Compliance Activities Report (Robyn Powell)	✓	NO
2 Hope Village NHTF Award Modification (Kevin Drexel)	2-0	YES
3 Ceja Vista – National Housing Trust Fund (Sharlynn Rosales)	2-0	YES
4 Soleras Station State Tax Credit Award (Patty Balderrama)	2-0	YES

Committee Members present:

- Rebecca Wurzburger, Chair present absent conference call
 Attorney General Hector Balderas or Sally Malavé present absent conference call
 Randy McMillan present absent conference call

Secretary:  10/8/19



New Mexico Mortgage Finance Authority

Follow-Up on Open Internal Audit Observations

Executive Summary

September 2019

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

Executive Summary

New Mexico Mortgage Finance
Authority Board of Directors

We performed the internal audit services described below to assist New Mexico Mortgage Finance Authority (MFA) in evaluating whether open internal audit observations issued through August 2019 have been resolved.

SUMMARY OF PROCEDURES

We performed a variety of procedures in order to follow-up on the observations to determine if each had been resolved. We interviewed MFA employees, obtained the listing of open internal audit observations including the current status. 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. We classified each observation as resolved, pending resolution or open.

SUMMARY OF RESULTS

Summary by internal audit with current status of observations:

#	Observation	Current Status
Sub Recipient Monitoring–March 2019		
1	The Community Development Department Policies and Procedures were not updated <ul style="list-style-type: none"> • Cost Allocation Plans 	Open
2	Monitoring procedures did not comply with Community Development Department Policies and Procedures <ul style="list-style-type: none"> • Monitoring 	Resolved

* * * * *

Further detail of our purpose, objectives, scope, procedures, and observations is included in the full internal audit report.

REDW LLC

Albuquerque, New Mexico
September 25, 2019

Tab 2



Internal Audit Hours Summary

Area	2019 Budgeted Hours	2019 Actual Hours	Variance (Over)/Under	Comments
Risk Assessment/Audit Plan and Follow-up	80	31	49	Risk assessment/Audit Plan has not been completed
Sub Recipient Monitoring	140	133	7	2 low risk observations identified Process improvement recommendations provided
Home Now	80	91	(11)	Process improvement recommendations provided
Information Technology Security	120	124	(4)	1 high, 2 moderate and 1 low risk observations identified Process improvement recommendations provided
Low Income Housing Tax Credit Procedures	100	109	(9)	Process improvement recommendations provided
Service Organization Controls Assessment/Fraud Training/ERM	120	44	76	Consulting
Total Hours through 9/25/19	640	532	109	

Tab 3



New Mexico Mortgage Finance Authority
Low Income Housing Tax Credits Project
August 2019

New Mexico Mortgage Finance Authority Low Income Housing Tax Credits Project

Table of Contents

	<u>Page</u>
Introduction and Background	1
Purpose and Objectives	1
Scope and Procedures Performed	1
Results and Recommendations	2
Future Audit Approach	7

New Mexico Mortgage Finance Authority Low Income Housing Tax Credits Project

Report

New Mexico Mortgage Finance Authority
Board of Directors

INTRODUCTION AND BACKGROUND

The New Mexico Mortgage Finance Authority (MFA) Board engaged REDW to develop an audit program that could be used for current and future Low Income Housing Tax Credit (LIHTC) projects to assess for specific risks related to the appearance of collusion, inflated costs, or related party transactions between Developers, General Contractors and subcontractors. This request was triggered by the discovery of fraud in the Florida Housing LIHTC programs where millions of dollars in federal tax credit subsidies were stolen when a Developer inflated construction contracts. In 2018, REDW met with MFA management to discuss the internal processes surrounding the LIHTC application and selection process, as well as to develop an understanding of the documentation requirements for the program. From this information, an audit program was developed and REDW attempted to execute this audit program on a small sample of past LIHTC projects that were either completed or in process as of 2018. In 2019, this project generated an updated, reduced scope, audit procedure that was executed on an additional two projects as well as additional consultations with key stakeholders.

PURPOSE AND OBJECTIVES

This engagement focused on evaluating whether the cost certification at the developer level was fully supported and all related parties were properly disclosed. Additionally, we assisted in the conversations regarding future QAP's to determine if any additions or clarifying language could be added to reduce difficulties encountered from less stringent QAP requirements in previous years.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we read the applicable portions of the following:

- ◆ 2016 MFA Qualified Allocation Plan
- ◆ Internal Revenue Code Section 42, Low-Income Housing Credit

We performed the following testwork:

REDW randomly selected two 9% LIHTC projects from 2016, as it was necessary to select projects that were fully completed and placed in service. We performed the following steps:

- ◆ We materially agreed the Developers draw schedules to the Independent Auditors Report and selected a random sample of two draws to determine if the costs were supported by an underlying invoice and/or other document.
- ◆ For all parties listed in the application packets and/or in the details of payments from the draws tested we assessed if any undisclosed related party relationships existed.

In addition to the testing of the two projects REDW:

- ◆ Contacted Delaware Housing Authority to gain insight into what additional language or controls, if any, could be utilized by MFA.
- ◆ Attended a meeting on September 10, 2019, that related providing clarifying language for future QAP's.
- ◆ Revisited the recommendations from the first round of testing and updated the recommendations based on information and/or realities learned from the second round of testing.

RESULTS AND RECOMMENDATIONS

REDW identified no undisclosed related party conflicts in the two projects selected. However, this testing was limited to the availability of information found on the Secretary of State website and other online searches. As such, there is a chance that undisclosed relationships may exist.

Differences in record keeping practices between developers makes a systematic approach to each project difficult. For instance, in the two projects tested we identified the following variations:

- ◆ REDW initially attempted to trace costs from the developers General Ledger (G/L) detail to the Independent Auditor Report, as this was the practice in the 2018 round of testing. However, it was determined that costs presented in the Form A were grouped very differently than the G/L detail. Instead, REDW had to approach tying out the costs as follows:
 - One project was able to provide a Summary Draw Schedule which listed all draws and included a cross walk for how these were grouped to the certified Form A. Further, it was determined that for each draw request a draw package was created which detailed all invoices and/or other supporting documents to support the amount requested in the draw.
 - The second project was similar; however, the draw schedule contained no crosswalk to the certified Form A. REDW attempted to back into the certified Form A numbers but ultimately relied on the independent auditors to provide details of how they arrived at their total certified balance. Further, upon the selection of two draw packages the details provided were limited to a Continuation Sheet, Application and Certificate for Payment, Conditional Release of Lien Rights and Unconditional Receipt, Waiver and Release of Lien. The Continuation Sheet was certified by an independent party, and the lien waivers helped support that all liabilities had been paid; thus, while the draw package was not as detailed REDW believes the costs were properly supported.

2019 Best Practice Recommendations

Based on the second round of testing we recommend the following:

A) Qualified Allocation Plan

1. MFA has already made many enhancements since the issuance of the 2016 QAP. The below recommendations are in reference to the language that exists as part of the 2019 QAP:
 - a. MFA has provided expanded language under Section II S. Audit Requirements; this language should be reviewed annually and evaluated to determine if additional and/or expanded testing will be required. Additionally, MFA should review the General Contractor Cost Certification form annually to see if any modifications are needed.
 - b. The QAP should provide specific guidance on RFP and Proposal documentation requirements. The QAP should outline what documentation must be provided and retained in instances when key members of a LIHTC project must be removed and/or replaced. An additional assessment of costs and quality of material should be examined to ensure the company change has no negative impact on the project that was initially approved.
 - c. MFA should request developers retain written documentation that the general contractor is aware of the updated QAP requirements; specifically, the requirements around the new General Contractor Cost Certification form as well as the RFP and Proposal documentation. Based on conversations with MFA, it was unclear whether the new updates to the QAP are properly communicated to general contractors. Typically, developers attend the annual QAP training held at the end of the calendar year and are responsible for overseeing the compliance with QAP requirements. It is critical this correspondence takes place at the onset of a project to ensure general contractors fully acknowledge and understand what level of documentation is necessary to ensure compliance with the QAP.

Management Response:

- a. Management agrees. The Audit Requirements section of the QAP will be reviewed annually and evaluated to determine whether changes are required. In addition, the General Contractor Cost Certification form will be reviewed annually for modifications.
- b. Management agrees. Specific guidance on RFP and Proposal documentation requirements will be included in the 2020 QAP. In addition, the QAP will outline the documentation required when key members of a LIHTC project are removed and/or replaced, and additional assessment of costs and quality of material will be evaluated.
- c. Management agrees. During the Carryover Training for 2019 projects, staff requested that Developers communicate the 2019 QAP requirements regarding the General Contractor Certification to their General Contractors while negotiating the construction contracts. The request will also be made in writing as a follow-up to the discussion. A training for General Contractors will be offered in the Spring of 2020 to review the 2019 QAP requirements, including the General Contractor Cost Certification form. Another training for General Contractors will be offered in the

Fall of 2020 to review the 2020 QAP requirements, including the General Contractor Cost Certification form and the RFP and Proposal documentation requirements.

B) Related Parties

The 2019 QAP now requires all individuals who are involved in an application (i.e. Developer, Architect, General Contractor, etc.) to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. MFA should further expand this language to highlight that MFA may conduct its own related party search utilizing Secretary of State websites, online searches, or other means, to help ensure all related parties have been properly disclosed.

The bolded sentence in Section IV, C, 10 of the 2019 QAP could be revised to include the following: “An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable **and/or undisclosed related parties are identified** as determined by MFA.”

Management Response:

Management agrees. In order to encourage transparency, staff will revise the 2020 QAP to include language that MFA may conduct related party searches on the Secretary of State website. The 2020 QAP will also be updated to revise Section IV, C, 10 as recommended.

C) Round Table Discussions

MFA already provides several platforms for Developers to meet with MFA personnel, via Developer Forums and QAP trainings. In addition to these opportunities, REDW recommends including selected Developers and General Contractors in the discussions for future QAP enhancements as they relate to project cost tracking. In 2019, several meetings were held and both groups expressed a desire to participate in the discussions so that they could provide insights into what they believe will work and what will not. Including individuals who are intimately involved in the LIHTC programs will help enhance the buy-in necessary for new controls and also assist in ensuring the additions/changes are appropriate for the New Mexico business environment.

Management Response:

Management agrees. Staff will recommend a Board study session be conducted with Developers and General Contractors to discuss LIHTC project costs, including cost tracking, to ensure buy-in from the community.

Previous Recommendations:

The below recommendations are from the first round of LIHTC testing that took place in 2018 and include an updated comment for REDW’s 2019 testing.

D) Qualified Allocation Plan

1. Based on reading the 2018 QAP, MFA has made significant improvements with documentation requirements. The 2018 QAP now requires Cost Certifications be completed at both the Developer and General Contractor levels. MFA should also consider adding the following requirements in future QAP’s:

- a. Documentation of the General Contractor Cost Certification should be required to be submitted in an Excel format at both a detailed invoice level and at a subtotaled level by vendor name. This will allow MFA to assess any irregularities with individual invoice amounts and/or excess costs attributed to individual vendors more quickly.
 1. The QAP should also disclose that MFA will be performing its own audit of costs by randomly selecting either a specified number of the largest vendors or testing 40% of total costs. The language should include a disclaimer that an audit may take place at any point within five years after the final cost certification and General Contractors will be responsible for providing documentation to support all amounts paid (including, but not limited to, invoices, lien waivers and copies of cancelled checks etc.).

REDW Update: Improved – See 2019 Recommendation #1 – MFA developed an Excel based General Contractor Cost Certification form that will be used for certification of costs. Additionally, MFA has added the following language to the QAP: “Beginning with issuance of the Reservation contract and Reservation letter by MFA and during the entire term of the Compliance and Extended Use Periods, MFA reserves the right, under the provisions of Section 42 of the Code, the Project’s Land Use Restriction Agreement (LURA), and in accordance with its inherent discretion, to perform an audit or other related procedures of any project that has received an allocation of tax credits. Projects selected for audit or other related procedures may be chosen at random or based on MFA’s discretion. An audit or other related procedure may include, but is not limited to, an on-site inspection of all buildings, and a review of all records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of tax credits. In addition, MFA reserves the right to audit all costs of a Project, including invoices, all third-party contracts, e.g. construction contract(s), management contract(s), architect and other professional contract(s), all construction pay applications and back up documentation (including, but not limited to, subcontractor invoices), and any other documents deemed necessary to perform the above.”

REDW’s updated recommendation is to revisit both the language and form annually to determine if enhancements or modifications are necessary.

2. The QAP should restrict the use of any one subcontractor doing more than 20% of the total project cost. If this arrangement is unavoidable due to rural location and/or specialty work, documentation should be submitted to MFA to substantiate the reasons, and a more comprehensive assessment of related parties should be completed on the subcontractor and General Contractor relationship.

REDW Update: Removed – After additional testing and discussions with developers and general contractors who work on projects in the State of New Mexico, REDW believes that this recommendation may be difficult to implement and/or enforce. The 20% subcontractor limitation is a rule utilized by several other housing authorities that operate in a more densely populated area. As a result, there are more qualified subcontractors to disperse the work and ensure the 20% threshold was not met. Many developers REDW and MFA spoke with commented on the difficulty of finding reputable subcontractors in New Mexico, which would likely mean that nearly all

projects would have to document why the 20% threshold was exceeded. As such, REDW has removed this recommendation.

3. The QAP should stipulate that the subcontractor's invoices should contain enough information to assess cost reasonableness in relation to market prices.

REDW Update: Removed – Based on the additional conversations with general contractors its clear this recommendation would prove challenging to enforce. The subcontractors used, often, are very limited in their accounting and/or cost tracking capabilities. Further, there are many purchasing techniques utilized by both general contractors and subcontractors that compound the difficulty of assessing the reasonableness of the price of some goods.

While both recommendations 2 and 3 were written with best practices in mind, from input of other housing authorities, REDW recognizes the need for a more progressive transition. As the State of New Mexico grows MFA may want to revisit these concepts to see if the business environment has developed to allow for these heightened procurement controls.

4. The QAP should provide specific guidance on RFP and Proposal documentation requirements. Specifically, the QAP should require bid documentation be retained for subcontractors to substantiate the lowest bidder was selected; or, if the lowest bidder was not selected, the reasons for the selection. Additionally, the QAP should outline what documentation must be provided and retained in instances when key members of a LIHTC project must be removed and/or replaced. An additional assessment of costs and quality of material should be examined to ensure the company change has no negative impact on the project that was initially approved.

REDW Update: Revised – See 2019 Recommendation #1 – REDW has removed the language related to the need to substantiate the lowest bidder and/or the reasons for the selection. Based on discussions with MFA, it was unclear whether this requirement would unduly burden general contractors, as it is not standard practice for all project types. REDW has removed this sentence but kept the language for the QAP to provide guidance on RFP and Proposal documentation requirements.

5. MFA should consider adding a fraud hotline, and posters of the hotline number, for each project as a QAP requirement. Based on discussions with Florida Housing, the fraud discovered in the Florida LIHTC projects was a result of a whistleblower. Requiring a fraud hotline and posting the number in and around the jobsite will provide individuals working on projects a way to confidentially inform MFA of any unusual business dealings. Because each contractor conducts its business differently, having a hotline is an essential monitoring control.

REDW Update: Resolved – MFA has included this requirement as part of the 2019 QAP.

E) Related Parties

In addition to the QAP enhancements, MFA should consider increasing its work around assessment of related parties. One of the primary ways to mitigate kickback schemes is to

assess the relationships of all companies and individuals within a transaction. All individuals who are involved in an application (i.e. Developer, Architect, General Contractor, etc.) should be required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. For all projects selected for tax credits, an analysis of companies should be conducted; including research on the applicable Secretary of State websites, as well as searches of companies, to help ensure all related parties have been properly disclosed. This evaluation can be completed on a sampling basis to include the largest vendors in the project or on a judgmental basis, as long as the reasoning is adequately documented. This is particularly important at the subcontractor level as shell companies may be used to artificially inflate prices on goods or services.

REDW Update: Improved – See 2019 Recommendation #2 – MFA has included a Related Party Affidavit as part of the 2019 QAP. REDW’s 2019 recommendation relates to expanding the language in the QAP to disclose that MFA may perform its own search of undisclosed related parties.

F) Capital Needs Assessment

Lastly, MFA should consider either contracting out, or employing, an architect who will be responsible for independently evaluating the Capital Needs Assessments (CNA’s) for rehabilitation projects. Currently, the CNA’s are drafted by architects affiliated with the development and provide guidance on what must be done and the timing of the activities (i.e. within one year, five years etc.). It is unclear whether the recommendations in the CNA are necessary and/or if they have missed any critical needs. This recommendation comes from discussions held with MFA staff who are unclear of the appropriateness of the comments made in the CNA, as MFA personnel lack the technical background to properly evaluate the observations.

REDW Update: Removed – Based on conversations with MFA it was determined this recommendation was not cost effective and thus has been removed.

FUTURE AUDIT APPROACH

Many of the recommendations presented above are contingent on projects being finalized that utilized updated QAP requirements. Below is a phased audit approach that could be completed for future years.

Description of Audit Steps	Year Testing Completed		
	2020	2021	Thereafter
Agree Developer costs to Independent Auditor Report and trace a sample of expenditures and/or draw packages to cancelled check and supporting documentation.	X	X	X
Assess for undisclosed related party relationships between any companies or individuals listed in the application and placed in service packets.	X	X	X
Determine if Developer/GC have posted fraud hotline posters if construction site is currently in use.	X	X	X

Description of Audit Steps	Year Testing Completed		
	2020	2021	Thereafter
Ensure Developers have communicated to their General Contractor explaining the need to complete an independent audit on the certification of costs as outlined in the QAP as well as retain documentation in the bidding process evidencing	X	X	X
Conduct round table discussions with selected Developers and GC's with MFA personnel to determine what new/updated controls, and selected language, could be used for future QAP's.	X	X	As Needed
Obtain the General Contractor Cost Certification and select a sample of expenditures to a cancelled check and supporting documentation. The General Contractor will be responsible for showing how the amount selected reconciles to the total line item on the Cost Certification.		X	X
Test all subcontractors selected in the General Contractor Cost Certification for related party relationships.		X	X

* * * * *

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 sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
October 1, 2019

Tab 4



MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services/Credit Committee

Through: Policy Committee

FROM: Kevin Drexel, Assistant Director of Housing Development

DATE: October 16, 2019

SUBJECT: National Housing Trust Fund Loan Modification for Hope Village

Recommendation:

Staff is recommending that the \$3,000,000 National Housing Trust Fund (NHTF) loan awarded to Hope Village in March 2018, be increased by \$1,250,000 for a total loan amount of \$4,250,000.

Background:

Hope Village (formerly known as HopeWorks Village) is a proposed new construction permanent supportive housing project in Albuquerque consisting of a single apartment building with 42 one-bedroom units of approximately 405 sq. ft. each. The project will provide permanent supportive housing and enrichment services for homeless individuals with severe mental health and substance abuse disorders. The building will total 38,310 sq. ft. including 17,010 sq. ft. for rental units and 21,300 sq. ft. for common space, offices, and circulation areas. Units will be ADA (Americans with Disabilities Act) accessible and have features targeted to the needs of the population served. All units will be furnished. Common space will include areas for social service provision, community rooms on each residential floor, a management office, social service offices and laundry facilities. Outdoor amenities will include a patio, two raised bed gardens, bike racks, and picnic tables. The project will meet LEED certification standards.

The site is adjacent to the current HopeWorks day shelter and counseling space to allow for more efficient delivery of social services and is convenient to medical services (Presbyterian Hospital and Health Care for the Homeless), retail, and public transportation. The project will implement a "Housing First" model where homeless households are quickly placed in permanent housing without preconditions and barriers to entry, and supportive services are provided to prevent a return to homelessness. The project will receive annual rental assistance from Bernalillo County for all 42 units allowing residents to pay no more than 30% of their income in rent.

Discussion:

In March 2018, MFA awarded the following funds to the project:

- a NM Housing Trust Fund (NMHTF) construction/permanent loan in the amount of \$1.3 million during construction, to be paid down to \$850,000 at the end of the 24-month construction period;
- a HOME CHDO (Community Housing Development Organization) forgivable construction/permanent loan at in the amount of \$630,000; and
- a National Housing Trust Fund (NHTF) forgivable construction/permanent loan in the amount of \$3 million.

Subsequently, the project was awarded \$2 million in capital funding from the City of Albuquerque, \$2 million in capital funding from Bernalillo County, \$420,000 in Affordable Housing Program grant funds from the Federal Home Loan Bank of Dallas, and \$1 million in annual rental assistance and social service funding from Bernalillo County. A development agreement between the City, Yes Housing and HopeWorks was finalized December 2018 and required a series of community design meetings with adjacent neighborhood organizations. The last meeting was completed August 2019. A Request for Proposals for the Bernalillo County rental assistance and social services funding supporting this project was issued October 2018 and a funding agreement finalized April 2019.

During the time from the initial MFA awards in March 2018 and until community meetings and funding agreements could be finalized with the City and the County, construction costs have increased year-over-year. The development team has spent considerable time responding to community concerns and value engineering design to reduce costs while at the same time remaining mindful of the needs of a project of this type. For example, the development team has prioritized low-maintenance finishes, included trauma-informed design principles required by the City, and has accommodated design changes due to the City’s new Integrated Design Ordinance (IDO) that was implemented May 2019 and not planned for in the project’s design and budget at project conception. **Should any project costs decrease prior to closing, MFA will reduce total loan amount(s) subject to need and final underwriting prior to closing.**

Upon your approval, the current National Housing Trust Fund loan will be amended to include the additional \$1,250,000 for a new total loan award to Hope Village of \$4,250,000 (see chart).

NHTF Loan	MFA Guidelines	As Approved on 3/21/18	This Request
Borrower	NA	During construction, the borrower will be a to-be-formed single-asset entity solely owned by YES Housing, Inc. After completion, the loan will be assumed by a to-be-formed single-asset entity solely owned by HopeWorks	During construction and until six months after the project reaches 90% occupancy, the borrower will be Hope Village, LLC, whose sole member and manager will be New Hope Housing, LLC, whose sole member and manager will be YES Housing, Inc. Six months after the project reaches 90% occupancy, HopeWorks will become the sole member

			and manager of New Hope Housing, LLC.
Name of Project	NA	HopeWorks Village	Hope Village
Maximum Loan Amount	None (only limited by fund availability)	\$3,000,000	\$4,250,000 (increase of \$1,250,000)
Rate	0%	0%	unchanged
Loan Fee	None	None	unchanged
Maximum Loan Term	2-yr construction, no max on permanent	2-yr construction, 30-yr permanent	unchanged
Loan Amortization	Cash-flow or forgivable	Forgivable	Forgivable
Lien Position	Subordinate allowed	3 rd lien	unchanged
Number of NHTF Units	Based on pro-rata share of total development cost and per-unit subsidy limits	21 out of 42 total units	25 out of 42 total units
Affordability Requirements	Minimum 30 years	30 years	unchanged
Debt Service Coverage Ratio (DSCR)	1.2 to 1.4 on all must-pay debt	Within guidelines	To be determined once final City and County agreements are known.
Special Conditions	<ol style="list-style-type: none"> 1. Awards/commitment letters for City of Albuquerque and Bernalillo County capital funds must be issued by August 31, 2018; 2. Awards/commitment letters for rental assistance for at least 10 units must be issued by November 30, 2018; 3. Awards/commitment letters for all sources of development funds, operating assistance, and/or rental subsidy necessary to demonstrate financial feasibility must be issued by March 31, 2019; 4. All loans 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 	<ol style="list-style-type: none"> 1. through 3. met 4. All loans are subject to MFA's final underwriting for project feasibility. Loan to be underwritten once final conditions of the City and County agreements are known and 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; 5. through 9. unchanged 10. Loan must meet MFA's underwriting terms and conditions or loan approval will be withdrawn. 	

	<p>revised in line with projected cash flow at closing;</p> <ol style="list-style-type: none"> 5. 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; 6. Financing commitments must be acceptable to MFA prior to funding on all funding sources, 7. Plans/construction monitoring/draws must be approved by a third party acceptable to MFA (i.e. hired by MFA or another funder) and shared with MFA. Cost to be paid by applicant; 8. Other conditions as may be determined by staff; and 9. Subject to availability of funds. 	
--	---	--

Summary:

Staff is recommending that the \$3,000,000 National Housing Trust Fund loan originally awarded to Hope Village be increased by \$1,250,000 for a total loan award of \$4,250,000 so that this much needed project proceeds to serve the homeless individuals in Albuquerque.

TOTAL DEVELOPMENT COST INFORMATION SUMMARY

Project: Hope Village		Original Total	Original Cost/GSF	Current Total	Current Cost/GSF
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 491,527	\$ 12.98	\$ 491,527	\$ 12.83
Construction Hard Costs		\$ 4,165,920	\$ 110.00	\$ 5,480,828	\$ 143.07
Other Construction Costs (contract O&P, gen req, GRT, landscapg, FFE, etc)		\$ 1,289,997	\$ 34.06	\$ 1,952,876	\$ 50.98
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 414,195	\$ 10.94	\$ 576,465	\$ 15.05
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 231,034	\$ 6.10	\$ 290,000	\$ 7.57
Permanent Financing Costs (fees, title/recording, etc)		\$ 9,000	\$ 0.24	\$ 10,500	\$ 0.27
Other Soft Costs (tax credit fees, environ. reports, appraisals, accounting, etc)		\$ 55,000	\$ 1.45	\$ 47,725	\$ 1.25
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 263,587	\$ 6.96	\$ 125,000	\$ 3.26
Developer Fees (inc consultant fees)		\$ 880,000	\$ 23.24	\$ 880,000	\$ 22.97
Total Development Costs (TDC)		\$ 7,800,260	\$ 205.96	\$ 9,854,921	\$ 257.24
TDC w/o Land, Reserves & Commercial		\$ 7,045,146	\$ 187.06	\$ 9,238,394	\$ 253.98
Gross square footage (Original):	37,872				
Gross square footage (Current):	38,310				

CONSTRUCTION SOURCES

Project: Hope Village		Original Total	Original Per Unit	Current Total	Current Per Unit
Construct. Lender - 1st Lien	MFA NMHTF	\$ 1,300,000	\$ 30,952	\$ 1,300,000	\$ 30,952
2nd Lien holder	MFA HOME	\$ 567,000	\$ 13,500	\$ 542,000	\$ 12,905
3rd Lien holder	MFA NHTF	\$ 3,000,000	\$ 71,429	\$ 3,825,000	\$ 91,071
4th Lien holder	City of Albuquerque	\$ 1,165,245	\$ 27,744	\$ 1,441,528	\$ 34,322
5th Lien holder	Bernalillo County	\$ 1,400,000	\$ 33,333	\$ 2,000,000	\$ 47,619
Deferred Developer Fee	St. Martin's HopeWorks	\$ 368,015	\$ 8,762	\$ 326,393	\$ 7,771
Other source	Green tax Credit		\$ -		\$ -
Other source	FHLB-AHP		\$ -	\$ 420,000	\$ 10,000
Total Construction Sources		\$ 7,800,260	\$ 185,720	\$ 9,854,921	\$ 234,641

PERMANENT SOURCES

Project: Hope Village		Original Total	Original Per Unit	Current Total	Current Per Unit
Perm Lender - 1st Lien	MFA NMHTF (3%, 30-year)	\$ 850,000	\$ 20,238	\$ 850,000	\$ 20,238
2nd Lien holder	MFA HOME (0%, forgivable)	\$ 630,000	\$ 15,000	\$ 630,000	\$ 15,000
3rd Lien holder	MFA NHTF (0%, forgivable)	\$ 3,000,000	\$ 71,429	\$ 4,250,000	\$ 101,190
4th Lien holder	City of Albuquerque	\$ 1,452,245	\$ 34,577	\$ 1,441,528	\$ 34,322
5th Lien holder	Bernalillo County	\$ 1,500,000	\$ 35,714	\$ 2,000,000	\$ 47,619
Deferred Developer Fee	St. Martin's / HopeWorks	\$ 368,015	\$ 8,762	\$ 178,393	\$ 4,247
Other source	Green tax Credit		\$ -	\$ 85,000	\$ 2,024
Other source	FHLB-AHP		\$ -	\$ 420,000	\$ 10,000
Total Permanent Sources		\$ 7,800,260	\$ 185,720	\$ 9,854,921	\$ 234,641

Tab 5



MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee - October 1, 2019

FROM: Jeff Payne, Senior Director of Mortgage Operations

DATE: October 16, 2019

SUBJECT: Partners Program Policy Update

Recommendation: Staff proposes changes to the single family Partners Program (“Partners”) as outlined in the attached “Partners Program 2019 Proposed Policy” document. These proposed changes are designed to fulfill MFA’s mission to support third party non-profits, to promote homeownership to New Mexico’s low-income population, to provide a more streamlined process of originating these loans and to mitigate risk to an acceptable level.

Background: Non-profit housing development organizations, tribal organizations and public housing agencies (“Participants”) are eligible to apply to MFA for program participation. Partners is designed to support MFA’s mission by providing a “secondary market” for non-traditional lenders focused on housing to further homeownership opportunities for the lowest income New Mexican residents by:

- a) Providing mortgage loans to prospective homebuyers who have been prepared for homeownership but otherwise would be unable to access traditional mortgage financing.
- b) Strengthening the development capacity for non-profit housing development organizations, and public housing agencies in New Mexico by allowing return of capital resources, furthering their production of affordable single family housing.
- c) Collaborating between MFA and low-income housing providers, lenders, communities and families.

The Partners program has been offered in varying forms since the 1990s (Partners I, II, III and IV). The program has been utilized almost exclusively by various Habitat for Humanity affiliates in New Mexico. The program targets very low-income homebuyers earning 60% or less of area median income (“AMI”). These are first mortgage loans with terms ranging from 15 to 30 years at 0% interest. The maximum loan amount on each home, or loan to value percentage (“LTV”), has varied from 85% to 50%. Habitat affiliates were required to maintain

a payment reserve account which was held by MFA. Recently, when Partner loans have become delinquent and are foreclosed, partner affiliates keep the payments current until the loans are assumed by other low-income borrowers working with that partner. This is practice that has been in place for five or more years.

Habitat affiliates seek potential low-income homebuyers and assist them with high touch counseling where prospective buyers are taught financial responsibility and budgeting skills. In addition, they receive guidance as they improve their financial profile in anticipation of qualifying to purchase a Habitat home. When chosen to purchase a Habitat home, selected families are required to contribute labor (500 hours of “sweat equity”) to build their home or the home of another Habitat family.

Due in large part to the borrower profile that this program intends to serve, MFA has experienced higher delinquencies and loan defaults for this program. However, if the borrowers default, MFA will foreclose and give the Participant the opportunity to assume the loan and make payments on the loan while seeking another partner family to assume the mortgage obligation under the program requirements. This reduces the instances when MFA must acquire and sell the collateral property, reducing the chances of loss. The instances where MFA experiences a loss are usually when an affiliate has ceased operations. Two affiliates that closed their doors after having partnered with MFA are the Los Lunas and Las Vegas Habitat affiliates.

MFA services 168 Partner loans with total balances outstanding of \$4.1 million as of August 31, 2019.

Discussion: The most recent program changes were made in FY 2018 and they expanded the loan parameters in an attempt to encourage more utilization of the program. Prior to the FY 2018 changes, the program required partner loans be purchased at a discount of 2.5% of a 50% LTV, requiring the borrowers be at or below 60% AMI in some counties and at or below 50% AMI in other counties. The participating agencies provided second mortgages and sought grants to make up the difference between the Partners loan and the acquisition cost.

Utilization of this program came to a standstill due to the restricted LTVs and loan amounts as well as the difficulty of getting these loans approved and closed through the established procedures. Subsequent program changes in FY 2018 were met with great enthusiasm by Habitat for Humanity affiliates, as they are the primary users of this program.

One of the program changes in 2018 was the requirement that retail mortgage lenders process, underwrite and close the loans prior to MFA purchasing the loans. Many lenders were approached about possible participation in the program but almost all declined to participate citing existing demands on their staff, system constraints or concerns surrounding the responsibility to provide federal disclosures to the borrowers. Those lenders willing to participate may only be interested in assisting their local habitat affiliate. There have been no Partners Program loan closings or loan purchases under the new FY 2018 guidelines.

The intent of returning to the board now with a proposal for additional program policy changes is to overcome these obstacles to its use by Participants while mitigating risk of loss



to an acceptable level. Underwriting guidelines for the collateral and borrower will continue to follow standard conventional underwriting guidelines if not addressed in policy.

The current proposal intends to keep changes made in FY 2018 for those affiliates that can obtain the assistance of a lender in originating the loan while also allowing another option that eliminates the requirement that a retail mortgage lender take the application, process the loan, underwrite and then close the loan. Utilization of Lender Originated loans will allow more generous terms and yet the opportunity for Participant Originated loans will allow Partners to still get funding they need. The Participant Originated loan option allows the affiliate to present the loan package directly to MFA for consideration. The attached **Schedule A** summarizes proposed changes to the program policy document.

Since the program policy changes in FY 2018 were approved there have been changes in the circumstances that make the Participant Originated loan an acceptable option. Habitat for Humanity International implemented a policy that affiliates have a loan originator on staff that is licensed with the Nationwide Multistate Licensing System (NMLS). In addition, MFA has added staff that are familiar with single family mortgage underwriting. The result is that both the Partners and MFA are better able to evaluate the creditworthiness of the borrower. This proposal would create the option to bypass the use of a lender but would restrict the loan as a percentage of the home's value (LTV).

An additional change is proposed to the program policy to provide needed flexibility in adapting to real world challenges encountered in originating Partners loans. A feature eliminated in FY 2018 complicates the prospect of approving loans in the future. Habitat for Humanity requires partner families to earn 60% or less of AMI at initial approval but during home construction families may receive raises or additional income that push the income calculation over 60% AMI. If the buyer originally qualified at the 60% AMI threshold, and their income changes, an allowance is needed. While MFA's focus is on the very low-income borrowers at 60% AMI, some flexibility in the policy is needed so that buyers are not disqualified while the home is under construction because they received a raise that pushes their income above the 60% limit.

Process details have been moved from the policy document and moved to the Partners Program Directive. This Program Directive is the more detailed guide to Participants and Participating Lenders. The Program Directive allows MFA to clarify and adapt our processes and guidelines as needed to follow the approved policy.

Summary: Staff proposes changes to the single family Partners Program as outlined in the "Partners Program 2019 Policy" document. The proposed changes will expand origination options to better match our partners' situations and to originate Partners loans when retail mortgage lenders and banks are not available to participate in the process. Partners loans are designed to fulfill MFA's mission to support third party non-profits in promoting homeownership to New Mexico's low-income population, to provide options for originating loans while mitigating risk to an acceptable level.

Schedule A: Summary of Partners Program Policy Updates

Policy Page	Existing Policy Section	Proposed Update
Page 1	<u>Eligible Participants</u> : Specifies that Participants and Lenders are to provide information about the organization for consideration to participate in the program. Explained that MFA and Partners would solicit participation by a few lenders in the program	Details of Participant and Lender approval requirements removed and included in the Program Directive which provides details and process instructions for lenders and participants. This document is maintained by the Homeownership Department and is available to Participants on the MFA website.
	<u>Program Terms, Conditions and Descriptions</u> : This section contained a summary of the loan terms	Replaced the section with Origination Options section that explains the two options: Lender Originated option and the Participant Originated option. Lenders provide expertise in processing applicant information and underwriting review. If that expertise cannot be obtained, Partner may present loan package directly to MFA for a lower loan amount than if Lender Originated
Page 2	Participant Originated Loans: LTV 90% of appraised value	Changed LTV to 80% from 90% of appraised value for loans originated through a Participant versus a Participating Lender. Using a Participating Lender's expertise in underwriting allows for a larger loan amount.
	<u>Eligible Partners Loans</u> : Specified that the program was only available to borrowers who work through approved participants and lenders	Removed the section as it described in the section above
	<u>Eligible Borrowers</u> : Described the income limits and requirement that borrowers be first-time homebuyers and occupy the home as their primary residence	Clarified that once the borrower(s) qualify at time of application to meet the 60% AMI income requirement there are no further requirements to verify that their income has not exceeded the program limit. This allows for income changes that may occur while home is being built or loan is in process. Also relocated into this section the reference to a minimum FICO score and exception authority to approve scores as low as 600
	<u>Eligible Properties</u> : Describes requirements for the properties that may be purchased with the Partners program	Added more specific language for clarity regarding purchase of owner occupied, single family residences.

Policy Page	Existing Policy Section	Proposed Update
Page 3	<u>Fees</u> : Lists fee of 2% charged to the Participant at time of loan purchase	Added a higher fee of 2.5% if the loan is Participant Originated. MFA is paid a higher fee if MFA staff must perform a more in-depth review of the loan request. Added reference to the new Participant Originated option
Pages 3-5	<u>Loan Requirements</u> : Listed specific underwriting guidelines and loan terms	Moved these specific underwriting guidelines and loan terms to the Program Directive. Added a reference that these details can be found in the Program Directive
Page 5	<u>Reservation of Funds and File Delivery</u> : Provided details that Participants must be approved by MFA prior to making reservation and referenced the reservation system	Moved reference to the reservation system and Participant approval requirements to the Program Directive. Clarified that reservations are first come, first served.
Page 6	<u>Submission of Compliance Files</u> : Listed step by step instructions for the compliance review process	Moved these specific instructions to the Program Directive. Added a reference that these details can be found in the Program Directive
	<u>Partners Loan Closing</u> : Stated that Participant and Lender need MFA written approval to close a loan at the time of closing	Changed language to clarify that written approval must be received prior to the closing
	<u>Loan Purchase Requirements</u> : Specified that a Mortgage Purchase Agreement the purchase of Partners loans is required prior to the purchase of each loan. Requirement for taxes and insurance to be current is mentioned.	Moved the mention of taxes, insurance and age of the loan at time of purchase into the Program Directive.
Page 8-9	<u>Exhibits</u> : Income and acquisition limits	Updated income and acquisition limits for current year.

“Partners Program” Policy

~~December~~ September 2019 ~~2017~~

Program Summary:

The Partners Program (“Partners”) is designed to fulfill MFA’s strategic plan to adapt existing MFA programs and partner with other non-profits focused on housing to further homeownership opportunities for the lowest income New Mexican residents by:

- (1) Providing mortgage loans to prospective homebuyers who have been prepared for homeownership but otherwise would be unable to access traditional mortgage financing.
- (2) Strengthening the development capacity for non-profit housing development organizations, tribal organizations and public housing agencies in New Mexico by allowing return of capital resourced, furthering their production of affordable single family housing.
- (3) Collaborating with MFA and low-income housing providers, lenders, communities and families.

Eligible Participants:

Non-profit housing development organizations, tribal organizations and public housing agencies (“Participants”) are eligible to apply to MFA for inclusion in the program. ~~—To be approved for participation, applicants must provide information about the organization, the organization’s activities and most recent audited financial statements. Based on this information, MFA will make a determination as to the organization’s stability and administrative capability of the organization to participate. The intent of this program is to partner with non-profit housing organizations that have limited access to other homeownership funding sources. Upon approval by MFA, Participants will make themselves available for program training. Historically, Habitat for Humanity affiliates in New Mexico (HFH-NM) has have been the primary Participants in the Partners Program. Eligible Participants will work with select participating lenders (“Lender”) that are approved through MFA to originate and underwrite the Partners program. These lenders will take the consumer’s loan application, make regulatory disclosures to the applicant and close the loan according to program requirements upon authorization by MFA. MFA and Participants will seek participation by a few lenders that will be selected based their existing mortgage processing and underwriting capabilities and a willingness to participate in the Partners program. If Lenders are not already approved to participate in MFA programs, they must meet regulatory requirements with their primary regulator depending on the type of institution.~~

Program Terms, Conditions and Descriptions Loan Origination Options:

Eligible Participants may either obtain processing and underwriting approval with select participating lenders (“Lender”) that are approved through MFA to originate and underwrite the Partners program (Lender Originated) or Participants may originate the loan without the assistance of a mortgage lender (Participant Originated).

Lender Originated loans: The Lender takes the consumer loan application, makes regulatory disclosures to the applicant, processes, underwrites the loan according to MFA Partners program requirements and closes the loan upon MFA approval. If approved, the Lender Originated loan amount will be eligible for a maximum to loan-to-value (LTV) of ninety percent (90%) of the lower of sales price or appraised value not to exceed the actual acquisition cost.

MFA and Participants seek participation by a few lenders that will be selected based their willingness to participate in the Partners program, existing mortgage processing and underwriting capabilities and financial stability. If Lenders are not already approved to participate in MFA single family programs, they must be approved by MFA prior to their participation in the program.

Participant Originated loans: In situations where a lender is not available, the Participant may take the application, provide disclosures to the applicant, process the loan and submit directly to MFA for consideration. MFA will review the loan for program compliance and credit worthiness. If approved, the Participant Originated loan amount will be eligible for a maximum to loan-to-value (LTV) of eighty percent (80%) of the lower of sales price or appraised value not to exceed the actual acquisition cost.

Eligible Partners Loans:

MFA's Partners Program is available only to borrowers who obtain financing through one of MFA's approved Participants and Lenders.

Eligible Borrowers:

Borrowers ~~may~~ should not earn more than sixty percent (60%) of county/area median income ("AMI"). At time of application, all applicant income must be documented not to exceed the 60% AMI income limit. There are no further requirements to determine if applicant income exceeds the program limit after initial application. Applicants who experience increases in income during the loan or construction process will not be disqualified if their income exceeds the program limit. MFA will perform a program compliance review prior to authorizing loan closing and purchase. MFA utilizes income limits as published by the US Department of Housing and Urban Development (HUD). A sample of the current income and sales price limits are attached as ~~at the time of program compliance review by MFA and after application approval by Lender.~~ (See Exhibit A.)

Borrowers minimum credit score is 620. Scores as low as 600 may be approved on an exception basis by the Senior Director of Mortgage Operations. Eligible borrowers must also be first-time homebuyers and occupy the home within 60 days of loan closing. Borrowers will be required to complete homebuyer education from a HUD approved counselor or online through eHome America prior to loan approval.

Eligible Properties:

Partners loans may only be used to purchase single family homes occupied as a primary residence located in the state of New Mexico. The appraised value for new construction or acquisition cost for existing homes ~~cannot~~ may not exceed the FIRSTHome Acquisition Cost Limits. (See Exhibit A)

Properties located on Native American Trust Lands would require an acceptable agreement with Tribal government and further internal approvals as required by MFA policy.

Interest Rate:

The interest rate to be charged on all Partners loans will be a fixed, below market interest rate. The interest rate for Partners loans will be determined by MFA and does not carry a prepayment penalty. MFA reserves the right to change the rate offered. Interest rates will be capped at 2% below the posted MFA *FIRSTHome* Government rate at that time.

Fees:

The Lender or Participant will disclose and charge the borrower reasonable and customary fees and costs including third party fees associated with loan origination such as appraisal, credit report, recording fees, settlement, title insurance premiums, pre-paid expenses and if Lender Originated, a processing/underwriting fee. The Participant may pay these fees on behalf of the buyer prior to or at closing.

MFA will be paid an upfront fee ~~equal to 2% of the loan amount~~ from the Participant at the time MFA purchases the loan.

2% of the loan amount – Lender Originated or:
2.5% of the loan amount – Participant Originated

The funding wire sent from MFA will net out this fee.

Loan Requirements:

Loan underwriting guidelines and requirements, other than those mentioned above, are specified in the Partners Program Directive.

~~The loan must be for a term not to exceed thirty (30) years. The maximum loan to value ratio (LTV) for Partner loans will be ninety percent (90%) of the appraised value of the subject property.~~

~~Each loan is to provide for payments of principal (and interest if applicable) along with amounts to escrow for property taxes, homeowners insurance, and homeowners association dues on a monthly basis on the first day of each month.~~

~~All loans must be affordable to low income borrowers; affordable is defined as paying no more than 35 percent of gross, monthly income for housing expenses and a maximum of 41% total debt to income.~~

~~Lender will underwrite the borrower and subject property using the following MFA program requirements:~~

1. Program Underwriting and Eligibility
 - ~~• First time homebuyers~~

- ~~Maximum income of 60% AMI~~
- ~~Occupy home within 60 days of loan closing~~
- ~~Homebuyer education from HUD approved counselor or eHome.~~
- ~~Appraised value (new construction) or acquisition costs (existing homes) is not to exceed First Home program limits~~

2. ~~Property Eligibility~~

- ~~Subject property must be located in the state of New Mexico~~
- ~~Appraisal required and, if new construction, certificate of completion~~
- ~~Utilities~~
 - ~~Public~~
 - ~~Private~~
 - ~~Tests to indicate home has safe and adequate water supply~~
 - ~~Inspection to indicate Septic system is working properly~~
- ~~Safety and wellness repairs required~~
- ~~Legal access to property~~
- ~~Single Family residence~~

3. ~~Lien perfection~~

- ~~First Lien priority~~
- ~~Assessed as real property~~
- ~~Deactivated title (if manufactured home)~~

4. ~~Credit Profile~~

- ~~Minimum 620 credit score. Lower scores to 600 on exception basis if approved by Senior Director of Homeownership~~
- ~~Tri-merge credit report required~~
- ~~Non-medical collection accounts paid-off~~
- ~~One-year verification of rent with no payments over 30 days late~~
- ~~Alternative credit documentation (if no valid credit score)~~
 - ~~Three trade lines with at least one year of history~~

5. ~~Income and Employment~~

- ~~Adequate income (35% house payment/41% total debt to income ratios)~~
- ~~Income within program limits of 60% AMI~~
- ~~Document stable income for one year~~

6. ~~Loan Details~~

- ~~90% maximum LTV/CLTV based on appraised value~~

7. ~~Transaction Details~~

- ~~Purchase agreement detailing price and terms of sale~~
- ~~Proper regulatory disclosures for loan by lender~~
- ~~Documentation of junior liens and additional sources of funds~~
- ~~Transactions on Tribal land require acceptable agreement with Tribal government to guarantee the loan and further approvals as required by MFA policy.~~
- ~~Borrowers must complete homebuyer counseling~~

~~Underwriting guidelines for the collateral and borrower will follow standard conventional underwriting guidelines if not addressed above.~~

Borrower Contribution:

A borrower must contribute at least \$500 and/or in items deemed of value (labor, materials, etc.) as equity in the construction, rehabilitation or purchase of a home funded through Partners funds. Participants will provide documentation from borrower or certification of sweat equity to document in the loan file regarding borrower contributions deemed of value. MFA shall work with each Participant in determining equity value based on Participant's requirements for borrower contributions. The minimum contribution of \$500.00 from the borrower's own funds cannot be derived from any type of gift, grant or down payment assistance.

Use of Other Sources of Financing:

Participants must maximize the use of other sources of soft money financing where such funding/financing is both available and appropriate. The use of any other sources of financing must conform to the applicable governing rules and regulations.

Use of Purchase Proceeds:

Participants ~~will~~ must use the proceeds from the sale of ~~any Partners~~ loans for furthering the objectives of this program.

Ability to Assume Loans:

Partners loans are assumable with prior approval of MFA and Participant. The Participant must request approval of the assumption in writing from MFA and provide verification that the prospective purchaser/assumptor meets the Borrower/Homeowner requirements of the program.

Reservation of Funds and File Delivery:

~~Funds for Partners Loans will be reserved by the Lender via MFA's on-line Reservation System (www.housingnm.org). The On Line Reservation System ("System") is a password protected website portal and Participants must be approved by MFA prior to reserving a Partners loan. Reservations will be accepted by MFA.~~ Reservation requests are subject to availability of funds and will be on a first come, first served basis. The Lender or Participant will submit ~~an approved~~ loan package to MFA to confirm program eligibility prior to closing the loan. This process is subject to change at MFA's sole discretion.

Submission of Compliance Files and Compliance Suspense Conditions:

Each Partners loan request shall be delivered to MFA per the Partners checklist and uploaded to MFA electronically through the System.

Steps and requirements to submit Partners loans for review by MFA are specified in the Partners Program Directive.

Lender underwrites the loan request and if lender approves the Partner loan per the Partner loan guidelines, Lender submits the electronic loan package to MFA for compliance review.

- 1) The Lender must approve the Mortgage Loan for credit and collateral prior to sending the electronic Compliance File to MFA for Compliance Approval via the System.
- 2) The Lender and partner must obtain a Compliance Approval/Purchase Commitment ("Commitment") for every Mortgage Loan prior to the loan closing.
- 3) The file must be as complete as possible. If a Compliance File is incomplete or if further documentation is required for an approval, MFA will provide a notification of Compliance Suspense Conditions via E-mail from the System notifying the lender of the status change or contact the Lender via phone, if applicable.
- 4) MFA will review the Compliance File and send a notification of conditions via E-mail or contact the Lender via phone, generally within three business days of receipt of the Compliance File. The Lender will then log into the System to retrieve their list of conditions.
- 5) If a Partners Loan does not qualify, MFA will contact the Lender via E-mail or phone and provide a Compliance Denial letter, which details the reason(s) for the denial.

Partners Loan Closing:

Participants and Lender may only close a Partners loan upon receipt of a copy of a MFA's written approval at prior to the time of closing for each Partners mortgage Loan.

Loan Purchase Requirements:

MFA's purchase of Partners Loans is subject to the execution of a Mortgage Purchase Agreement for each loan. Each Partners Loan delivered to MFA for purchase must conform to all of the applicable terms and conditions of the related Partners Mortgage Purchase Agreement.

All mortgages purchased by MFA will be in a first lien position and loans must be current at the time of purchase. In addition, taxes must be current and hazard insurance policies in amounts equal to the replacement cost of the property must be in effect. Loans must be sold to MFA within 60 days of loan closing.

Loan Servicing:

MFA will services all Partners loans sold to MFA. As servicer, MFA will be responsible for collection of payments, escrowing for taxes and insurance, insuring that there is adequate hazard insurance maintained on the property and that taxes are paid annually. Participants shall assist MFA in contacting borrowers/homeowners for payment collection and to help resolve delinquencies and

defaults.

Recourse Requirements:

For all loans sold to MFA, failure to collect payments from the borrower/homeowner does not relieve the Participant of responsibility for assisting in the collection of the required payment(s). The Participant agrees that upon sale of the loan to MFA, all payments on the first lien will be made to MFA. In any month during which MFA has not received the borrower's payment by the 15th day of the month, the Participant ~~will~~may be notified.

MFA will perform its customary collection activities in an effort to resolve any delinquency and/or default. MFA may require the Participant to repurchase or substitute (trade out) the loan in default with a first mortgage loan ~~having an equivalent of similar~~ value. This may be required in the case of any default under the terms and conditions of the mortgage which is not cured within the time limits stated in the Mortgage Purchase Agreement (-including a non-monetary default, such as renting the property or sale to an unauthorized buyer without paying off the balance of the Partners loan).

At a point where a Partner's loan sold to MFA becomes ≥ 60 days delinquent, MFA may, at its sole discretion, suspend the purchase of loans from the originating Participant until such time as the delinquency is corrected. If a Participant's loan sold to MFA goes into default, including foreclosure, MFA ~~will~~may not purchase any additional Partner's loans from such Participant unless the loss experienced is cured.

In instances where customary collection efforts, loan re-purchase or loan trade-out are determined not feasible, MFA may undertake alternative recourse efforts such as loan assumption by participant until another buyer can be found. Such alternatives will be defined by MFA, on a case by case basis, as the most appropriate course of action and will be documented as such.

Repurchase:

MFA may require the repurchase by the Participant of any loan found to contain false representations in any material respect. The Participant will be given a 60-day notice of the requirement to repurchase.

Maintenance of Books and Records:

Participants agree to keep proper books, records, and accounts in accordance with acceptable accounting standards. Participants will make such books and records available for inspection by MFA during reasonable hours and under reasonable conditions. MFA shall have the right to request Participants furnish said documents at the Participant's expense to determine that the requirements of the program have been met

MFA may amend the provisions of this Program Policy from time to time.

EXHIBIT A
2019 Partners Program Income and Sales Price Limits
60% of Area Median Income
(Updated annually)

<u>Persons in Family</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
<u>County</u>								
<u>Bernalillo, Sandoval, Torrance, Valencia</u>	<u>27,600</u>	<u>31,560</u>	<u>35,520</u>	<u>39,420</u>	<u>42,600</u>	<u>45,780</u>	<u>48,900</u>	<u>52,080</u>
<u>Curry</u>	<u>22,560</u>	<u>25,740</u>	<u>28,980</u>	<u>32,160</u>	<u>34,740</u>	<u>37,320</u>	<u>39,900</u>	<u>42,480</u>
<u>De Baca</u>	<u>22,560</u>	<u>25,800</u>	<u>29,040</u>	<u>32,220</u>	<u>34,800</u>	<u>37,380</u>	<u>39,960</u>	<u>42,540</u>
<u>Eddy</u>	<u>30,540</u>	<u>34,920</u>	<u>39,300</u>	<u>43,620</u>	<u>47,160</u>	<u>50,640</u>	<u>54,120</u>	<u>57,600</u>
<u>Lea</u>	<u>27,720</u>	<u>31,680</u>	<u>35,640</u>	<u>39,540</u>	<u>42,720</u>	<u>45,900</u>	<u>49,080</u>	<u>52,200</u>
<u>Lincoln</u>	<u>22,980</u>	<u>26,280</u>	<u>29,580</u>	<u>32,820</u>	<u>35,460</u>	<u>38,100</u>	<u>40,740</u>	<u>43,380</u>
<u>Los Alamos</u>	<u>50,760</u>	<u>58,020</u>	<u>65,280</u>	<u>72,480</u>	<u>78,300</u>	<u>84,120</u>	<u>89,880</u>	<u>95,700</u>
<u>Otero</u>	<u>24,300</u>	<u>27,780</u>	<u>31,260</u>	<u>34,680</u>	<u>37,500</u>	<u>40,260</u>	<u>43,020</u>	<u>45,780</u>
<u>San Juan</u>	<u>27,780</u>	<u>31,740</u>	<u>35,700</u>	<u>39,660</u>	<u>42,840</u>	<u>46,020</u>	<u>49,200</u>	<u>52,380</u>
<u>Santa Fe</u>	<u>30,780</u>	<u>35,160</u>	<u>39,540</u>	<u>43,920</u>	<u>47,460</u>	<u>51,000</u>	<u>54,480</u>	<u>58,020</u>
<u>Catron, Chavez, Cibola, Colfax, Dona Ana, Grant, Guadalupe, Harding, Hidalgo, Luna, McKinley, Mora, Quay, Rio Arriba, Roosevelt, San Miguel, Sierra, Socorro, Taos,</u>	<u>22,320</u>	<u>25,500</u>	<u>28,680</u>	<u>31,860</u>	<u>34,440</u>	<u>36,960</u>	<u>39,540</u>	<u>42,060</u>
<u>Union</u>	<u>22,680</u>	<u>25,920</u>	<u>29,160</u>	<u>32,400</u>	<u>35,040</u>	<u>37,620</u>	<u>40,200</u>	<u>42,780</u>

2019 Partners Program Acquisition Cost Limits
(FIRSTHome Limits)

<u>Area</u>	<u>Acquisition Cost Limit</u>
<u>Santa Fe County</u>	<u>\$331,205</u>
<u>Los Alamos County</u>	<u>\$369,501</u>
<u>All Other Areas and Counties of the State</u>	<u>\$283,349</u>

Tab 6



MEMORANDUM

TO: Board of Directors

Through: Finance Committee – October 8, 2019

Through: Policy Committee – October 1, 2019

FROM: Robyn Powell, Compliance Officer

DATE: October 16, 2019

SUBJECT: Internal Audit Services Award Recommendation

Recommendation:

Staff recommends the Internal Audit Services award be made to REDW.

Background:

The Board approved the Request for Proposal (RFP) for Internal Audit & Related Services on August 20, 2019. The RFP was advertised in Albuquerque, Rio Rancho, and Santa Fe local newspapers and posted on MFA's website. In addition, 4 firms were directly solicited to respond to the RFP. We received 3 response(s), which met the Minimum Requirements.

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 Opportunity Fund 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.

Evaluation & Scoring:

The RFP responses were reviewed by an internal committee of five members. They were scored individually, and the final scores reflect the average of all scores.

Criteria	Maximum Points	REDW	Moss Adams	Carr Riggs Ingram (CRI)
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;	0-15	15	13.4	14.6
b. experience in auditing information systems departments;	0-5	5	5	4.8
c. extensive knowledge of accounting and auditing procedures and experience in providing risk assessments, internal audit and quality control services;	0-15	15	15	15
d. relevant staff experience, expertise and credentials;	0-10	10	9.6	9.6
e. familiarity with the MFA and its purpose.	0-5	5	4.2	4.6
Cost of Services	0-15	15	10	14



f. ability to develop an audit program and prepare detailed audit reports to the Board or Management;	0-10	10	10	10
g. knowledge of FHA mortgage origination and servicing and HUD PBCA and ACC;	0-5	3.8	3.4	4.4
h. depth of available staff and ability to provide the hours required to perform internal audit services, quality control reviews and information systems support for the MFA, the ability to provide quick response to requests, and the ability to accommodate MFA's scheduling needs;	0-10	10	8	10
i. references.	0-5	4.6	3.8	5
Firm Strengths	0-5	5	5	5
Totals	100	98.4	87.4	97

Summary:

The Board approved the Request for Proposal for Internal Audit & Related Services on August 20, 2019. We received three responses, which met the Minimum Requirements, and was scored. Staff recommends the Internal Audit Services award be made to REDW, for a term of one year, with the option of two (2) one-year extensions at the option of the Policy Committee.

Tab 7



MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services Committee – October 8, 2019

Through: Policy Committee – October 1, 2019

FROM: Robyn Powell, Compliance Officer

DATE: October 16, 2019

SUBJECT: Compliance Activities Report for the period April 2019 - September 2019

Recommendation:

The compliance officer is responsible for communicating with the Board of Directors regarding compliance matters. 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 single-family mortgage lending and servicing departments, including subservicing oversight. During this reporting period, no significant compliance concerns were identified.

Background:

The compliance officer is responsible for maintaining a comprehensive compliance program to address legal, regulatory and internal requirements for MFA's single-family mortgage lending and servicing functions, ensure MFA is meeting regulatory compliance requirements related to mortgage operations, and maintain oversight of MFA's contracted servicer performance.

Discussion:

The following is a summary of compliance activities related to vendor management, subservicing oversight, loan quality control, and tracking of regulatory compliance and consumer complaints from April 2019 through September 2019.

Vendor Management

Vendor management and oversight is an ongoing function within the compliance management system and is conducted according to the underlying vendor management policy. Staff identifies vendors who provide services to MFA which are subject to regulation and oversight by the CFPB, or any entity contracted to provide services that would cause MFA to face risk if the vendor or service provider fails to meet contractual obligations, regulatory requirements, or engages in activities that could adversely impact MFA consumers.

Vendors are evaluated for inherent risk, compliance systems and controls, and business performance. This evaluation is completed by the compliance officer, in cooperation with appropriate department directors. The most recent vendor reviews did not identify any vendors with critical weaknesses which present a significant risk of violating the law and causing consumer harm.

FY2019 Vendor review:

Reliance Field Services	Advanced Network Management
Property Inspection Company	Hardware and software Support
Risk: Moderate – consumer facing	Risk: Moderate – system access

Metasource	Mitas
Software service provider	Loan origination and servicing software
Risk: Low – level of operational reliance	Risk: High – level of operation reliance

The most recent vendor reviews did not identify any vendors with critical weaknesses which present a significant risk of violating the law and causing consumer harm.

Contracted Services

Idaho Housing & Finance Association (IHFA) is MFA’s contracted subservicer and loan quality control vendor, and MFA is responsible for oversight of delegated functions related to MFA’s subserviced loan portfolio (loans originated after June 1, 2016 where MFA is the master servicer).

Subservicing Oversight

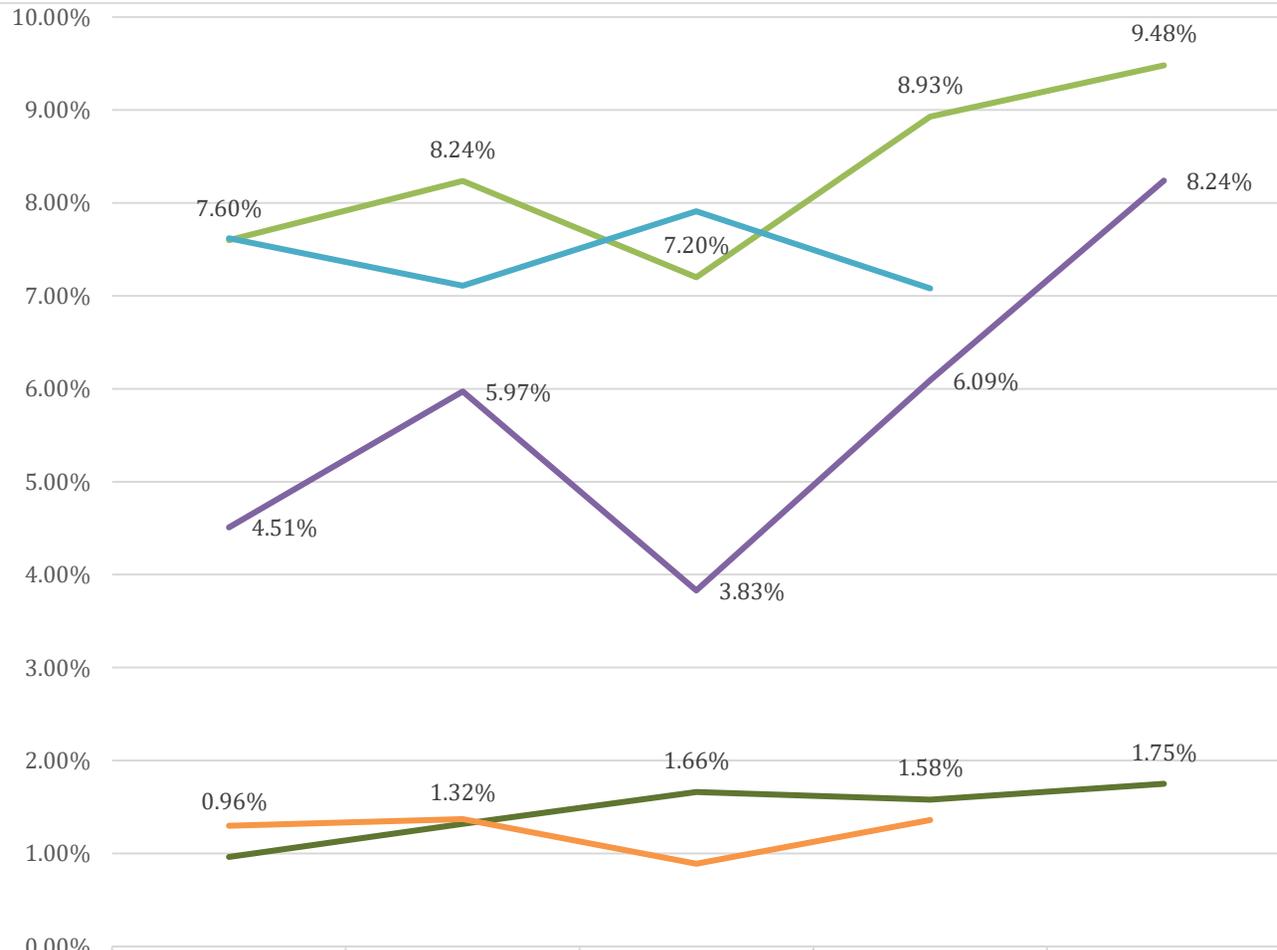
Staff continues to monitor service level performance to ensure IHFA staffing levels support MFA needs and that controls over data integrity are in place. During the reporting period, staff completed the annual subservicing oversight examination which includes a regulatory compliance review, financial review, and loan servicing procedures review. There were no significant issues identified.

IHFA provides monthly reporting on loan servicing quality control reports, sub-servicer fees, advances and reimbursements, and foreclosure activity, which are reviewed and analyzed for any negative trends or ongoing issues. MFA has dedicated full-time staff to oversee the various reporting and compliance components of the subservicing oversight policy. The subservicing oversight specialist provides information and reporting to the Compliance Officer and Director of Servicing. Staff conducts regular calls (no less than quarterly) with IHFA staff.

The below table represents the delinquency trends for the subserviced portfolio, compared with state and national delinquency rates, including seriously delinquent rates:



Delinquency Trends



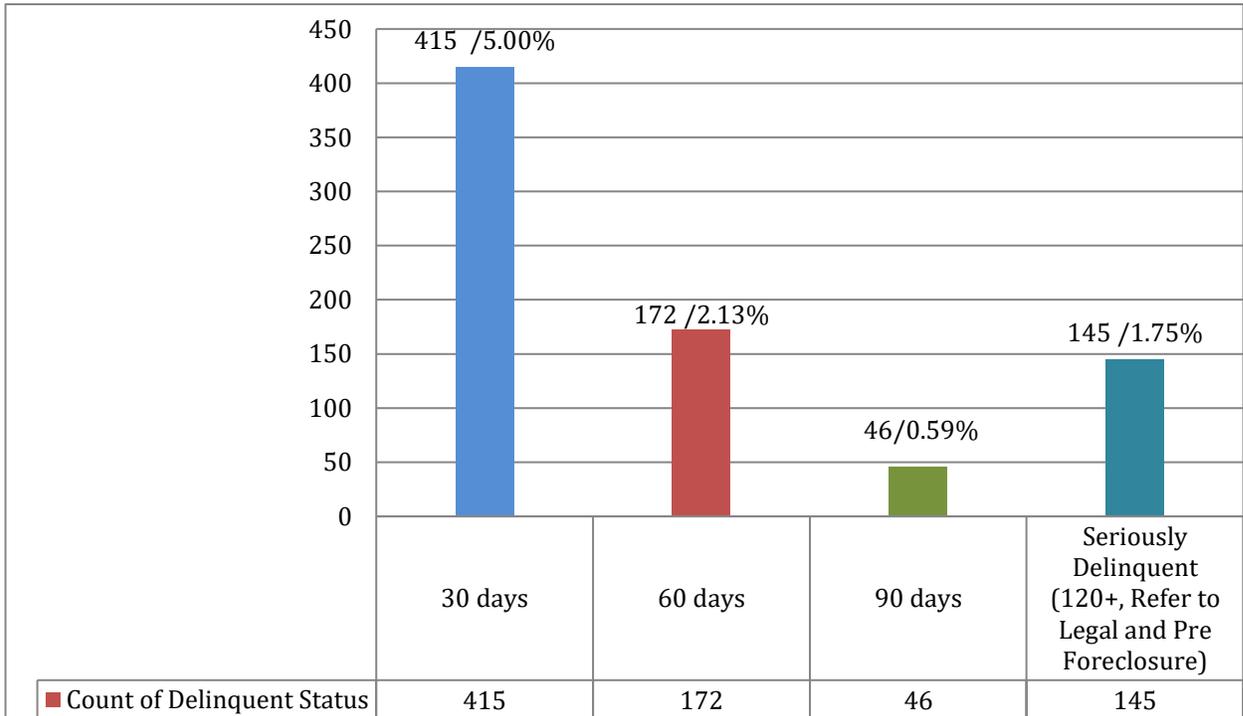
	FY 2018 Q4 Sept 2018	FY 2019 Q1 Dec 2018	FY 2019 Q2 March 2019	FY 2019 Q3 June 2019	FY 2019 Q4 September 2019
Subserviced Porfolio Loans Past Due (All Loans)	7.60%	8.24%	7.20%	8.93%	9.48%
MBA National Loans Past Due (FHA)	7.62%	7.11%	7.91%	7.08%	
Subserviced Porfolio Seriously Delinquent (All Loans 120+)	0.96%	1.32%	1.66%	1.58%	1.75%
MBA New Mexico Seriously Delinquent Rate FHA Fixed	1.30%	1.37%	0.89%	1.36%	
Subserviced Portfolio same time last year (quarter end)	4.51%	5.97%	3.83%	6.09%	8.24%

The following represents the subserviced portfolio summary and the breakdown of delinquency by category:

**MFA Single Family Loan Portfolio
Subserviced IHFA
September 30, 2019**

Subservicing Portfolio	Count	Percentage by status	Total UPB
Current	7398	90.52%	\$1,061,401,679.10
30 days	415	5.00%	\$58,656,339.37
60 days	172	2.13%	\$24,989,236.94
90 days	46	0.59%	\$6,922,484.16
Seriously Delinquent (120+, Refer to Legal and Pre Foreclosure)	145	1.75%	\$20,527,687.30
Foreclosed Loans (not included in total)	4		
Total Delinquent Loans	778		
Total First Liens	8176		\$1,172,497,426.87
Total Delinquency Percentage		9.48%	

Subserviced Delinquency as of 9/30/2019



Definitions:

120+ days	Loans not referred to foreclosure due to loss mitigation plan
Pre-Foreclosure	First legal has been filed
Refer to Legal	No first legal has occurred, but the loan has been referred to attorney
Foreclosed	Failed loan (in foreclosure or claim status)

Seriously delinquent loans have the most financial impact to MFA due to the pass through of principle and interest payments and repurchase of loans out of MBS pools. Staff is working closely with IHFA to develop processes for reconciling seriously delinquent and failed loans (loans that are in a claim status), monitoring loans in loss mitigation and repayment plans, reconciling foreclosure attorney reporting with IHFA reporting to track foreclosure sales, shortsales, and real-estate owned (REO) loans, and various investor reporting exceptions. The most common delinquency reasons reported are curtailment of income (19%) and excessive obligations-same income (6.3%), however, loss mitigation staff report they are unable to contact the borrower 19.2% of the time.

There are no significant, unresolved compliance concerns to report. Staff continues to closely monitor delinquency rates and loss mitigation efforts.

Loan Quality Control

Loan quality control reports and portfolio management reports received from IHFA alert staff to loan level issues and provide insight regarding trends and performance of specific lenders and loan officers. MFA staff takes a proactive approach in communicating with our partner lenders in order to mitigate the risk of material findings or repurchase.

As a requirement of using a contracted loan quality control vendor, MFA is required to complete an additional review on sample of loans. During this process, staff can independently verify loan quality. Staff have defined target defect rates for loan origination and implemented a random loan sample selection process for our discretionary loan review. The samples are to be representative of MFA’s overall origination programs. The number of cases audited is determined by loan production volume. All conventional loans with early payment default are reviewed for quality control.

MFA has a rigorous process for lender application and lender recertification. In order to receive eligible lender status, documentation of strong financial standing and evidence of a robust quality control program and internal controls is required.

The below table is the MFA loan origination defect trend data of cases with serious exceptions. These loans are reviewed by MFA’s contracted quality control vendor, IHFA. MFA staff then completes a 10% oversight review of the sample. Staff did not identify any issues in loan quality reviews.



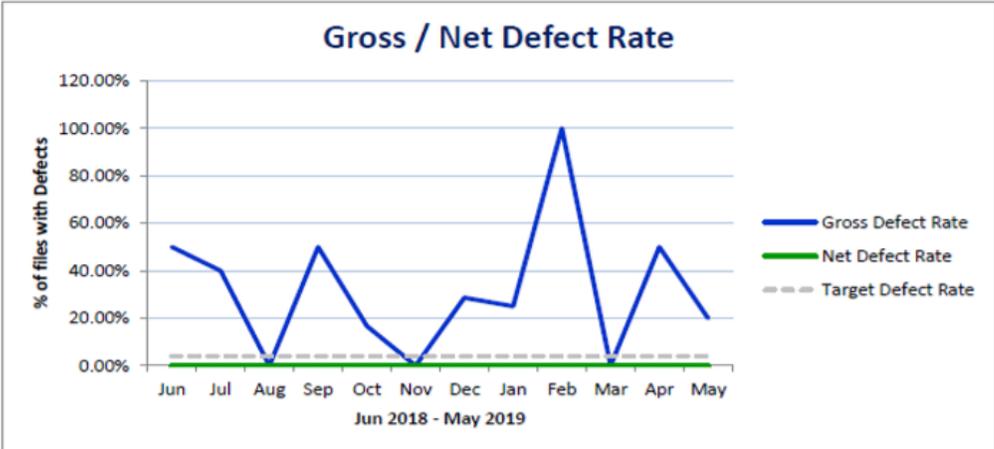
MFA DEFECT TREND REPORT Random QC

CASES WITH SERIOUS EXCEPTION(S) - COMPLIANCE EXCLUDED

Generated: 9/26/2019 3:30:44 PM

Copyright 2019 TenA. All rights reserved.

Year	Month	Target Defect Rate	Cases Audited	Defective Cases (Gross)	Defective Cases (Net)	Gross Defect Rate	Net Defect Rate
2018	Jun	4.0%	4	2	0	50.00%	0.00%
2018	Jul	4.0%	5	2	0	40.00%	0.00%
2018	Aug	4.0%	11	0	0	0.00%	0.00%
2018	Sep	4.0%	2	1	0	50.00%	0.00%
2018	Oct	4.0%	6	1	0	16.67%	0.00%
2018	Nov	4.0%	3	0	0	0.00%	0.00%
2018	Dec	4.0%	7	2	0	28.57%	0.00%
2019	Jan	4.0%	4	1	0	25.00%	0.00%
2019	Feb	4.0%	1	1	0	100.00%	0.00%
2019	Mar	4.0%	6	0	0	0.00%	0.00%
2019	Apr	4.0%	4	2	0	50.00%	0.00%
2019	May	4.0%	5	1	0	20.00%	0.00%
Sub-total			58	13	0	22.41%	0.00%



There are no significant, unresolved loan quality concerns identified by MFA or IHFA.

Regulatory Compliance

Tracking regulatory information related to federal consumer financial law, and implementation of new processes resulting from changing requirements is completed by the compliance officer and mortgage operations staff and management.

On June 5, 2019, Fannie Mae issued lender notification LL-2019-06 which adjusted income limit requirements for the HFA Preferred program offered by MFA to distinguish between borrowers at or below 80% AMI and those whose income exceeds 80% AMI. As a result, borrowers over 80% AMI are forced to pay higher interest rates and pay higher private mortgage insurance premiums. Staff took several actions in response to this memo. To provide access to down payment assistance for borrowers above 80% AMI, MFA staff implemented loan pricing for the Fannie Mae product that allows those borrowers to participate in our programs while passing on the program benefits of advantageous



interest rates and discounted mortgage insurance premiums to <80 AMI borrowers. Staff also gained Board approval in September to offer Freddie Mac loans which allows MFA to offer more favorable rates for conventional loans. The necessary HFA Preferred program and systems updates have been completed and the conventional loan program was reinstated as of October 1, 2019.

On March 13, 2019, Federal Housing Administration (FHA) issued Mortgagee Letter 19-06 (ML19-06) which modified the documentation requirements related to down payment assistance programs. MFA staff worked with legal counsel to modify documents and agreements to comply. On July 23, 2019, FHA issued Mortgagee Letter 2019-10 (ML19-06), suspending the effective date of ML19-06 until further notice. On August 13, 2019, FHA issued Mortgagee Letter 2019-12 fully rescinded ML19-06 and ML19-10. No additional information was provided by FHA and no further action is needed by MFA.

Training

The Consumer Financial Protection Bureau requires that supervised entities have a training program in place. MFA is currently providing compliance related training to mortgage operations staff on a regular basis.

In this reporting period, staff completed the following mortgage operations training:

- Fraud Prevention and Internal Controls

Consumer complaints

Tracking, investigating and responding to consumer complaints is a function of the Compliance Management System. No consumer complaints were received in the current reporting cycle.

Summary:

The activities described in this report are intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk.

Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified during this reporting period.

Tab 8

2019 RENTAL AWARD SUMMARY

Project Name & Address	Ceja Vista Senior Apartments Dennis Chavez at 98th St. SW, Albuquerque, NM 87121 – Bernalillo County				
Proposed Awards	Amount	\$1,500,000	National HTF	Rate	0% Cashflow
Borrower	Ceja Vista Senior Apartments (to be formed) will be owned .01% by DBG Ceja Vista Senior Investors LLC (General Partner) and 99.99% by a to-be-determined tax credit investor, as Limited Partner.				
Management	GSL Properties, Inc. (GSL) is a nationally recognized leader in quality multi-family residential developments for over 31 years. It is a fully-integrated real estate company that acquires, develops, and manages multi-family residential projects in the Western United States. Based in Portland, Oregon, GSL manages approximately 9,000 apartment units. GSL has 47 affordable apartment communities in its portfolio, totaling approximately 7,400 apartment units. All of these communities operate at high occupancy levels with well-trained staff to manage the specialized requirements of the tax-exempt bond program, Section 42 of the Internal Revenue Code and any other special requirements of local housing authorities.				
Developer	DBG Properties LLC (DBG) is a New Mexico limited liability company that was formed for the purpose of acquiring, owning, operating, and developing affordable rental apartment communities in the Western United States. DBG also operates a construction company that has solely constructed its projects to date and is licensed in California, New Mexico, Washington and Oregon. All DBG's current and completed projects serve income qualified residents at or below 60% of median income. DBG has completed construction and fully leased projects in New Mexico and Washington State since its inception. DBG completed construction of the company's first development in New Mexico, called Silver Moon Lodge located in downtown Albuquerque, in December 2014. In early 2018, DBG completed and fully leased The Village at Avalon, a 240 unit project in Southwestern Albuquerque. Principals of DBG are Walter Grodahl and Eric Grodahl. Walter continues to serve as Chairman of GSL Properties, Inc. Novogradac and Company LLP's audited financial statements for FYE 12/31/17 reflects \$5.5MM in assets, unrestricted cash (and cash equivalents) of \$27K, a net worth of \$1.4MM, a debt-to-worth of 3.03 : 1.00, profit of -\$751K and -\$486K in traditional cash flow. Audited financial for the fiscal year ended 12/31/16 show total assets of \$4.8MM, unrestricted cash of \$66K, a net worth of -\$2.5MM, a debt-to-worth ratio of -2.9 : 1.00, profit of \$474K and traditional cash flow of \$740K. It is important to note that DBG also operates as a construction company. Generally construction companies fluctuate in revenue and operating expenses depending on the number of contracts each year. The company also provided internally-prepared financial statements for the four months ended 4/30/2019. Total assets are \$7.8MM, current liabilities total \$2.4MM and current equity totals \$3.1MM, and net income is \$36K.				
Project Type & Size	New construction of a 156-apartment community, 154 rentable apartments serving seniors and two employee apartments. The project consists of 111 one-bedroom and 43 two-bedroom apartments serving households 55 years and older. The Income Averaging (IA) election will be used to designate ten apartments for tenants at or below 30% Area Median Income (AMI), 114 apartments for tenants at or below 60% AMI and 30 apartments for tenants at or below 70% AMI.				
Project Description	<p>The proposed community includes two, three story residential buildings and a single story community building with a pool. Each residential building will have a courtyard space designed for gathering with shaded seating areas. Each building will have a central community lobby space and an exterior meeting point. The ground floor lobby will have a welcoming double height ceiling, an open stairwell to level two, an elevator, seating areas, secure mailboxes and large parcel drop. The third level will open to an exterior deck for view of the Sandia mountains and downtown Albuquerque. The overall intention of the shared space is to encourage positive social interaction, independence and overall wellbeing.</p> <p>The overall design of the community will feature contemporary New Mexican aesthetic. The three buildings incorporate neutral colors, stucco finish and metal sunshades. The project will achieve a HERS rating lower than 65 by utilizing energy star rated appliances, LED light fixtures, a well-insulated building envelope, energy efficient HVAC system, Low-E windows and a centralized hot water system, as well as other construction strategies to reach maximum efficiency. All units will include washer/dryer appliances.</p>				

	<p>The project will have access to public transportation. The site plan is designed to incorporate accessible walking paths as well as an access gate towards a pedestrian path north of the site. The project's overall site plan incorporates Universal Design Features to provide equitable use among all residents and geared to universally adapt to a resident's pace and ability. The site is located within the boundaries of the Rio Bravo Sector Development Plan and the Developing Urban area of the Albuquerque Bernalillo County Comprehensive Plan. The site is currently vacant and zoned R-ML Residential, Multi-Family Low Density. This zoning allows apartments, townhouses and houses.</p> <p>The DBG Properties LLC ordered a market study performed by Novogradac, dated 8/7/19. The market study advises that the project will be an excellent-quality development, offering newly constructed senior housing in Albuquerque. The project will have a positive impact on the surrounding neighborhood and will not adversely affect existing affordable housing. There is a significant level of demand for affordable senior housing in the area. The senior population is projected to increase through 2023 at a faster rate than the general population. The project site is within close proximity to services, employment, public transportation, and retail. The LIHTC rents are below comparable market rents. There are three other nearby LIHTC projects: Nuevo Atrisco, Generations at West Mesa, and Villa de Atrisco. Generations at West Mesa is restricted to seniors and seniors raising grandchildren.</p>
Affordability Requirements	National HTF Requirements: Seven one-bedroom apartments and three two-bedroom apartments for households earning 30% AMI or the federal poverty level, whichever is higher, for which a Land Use Restriction Agreement (LURA) will be filed in Bernalillo County. The affordability period is 35 years, starting on the date of acceptance by HUD of a final NHTF project completion report and ends 35 years later.
Repayment and Disbursement	National HTF Loan <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; thereafter, annual payments as determined from available cash flow, maturing in 35 years. <u>Disbursement:</u> Allow up to three draws: two during the construction period, and the third upon submission of a final NHTF project completion report to HUD.
Special Conditions	<ol style="list-style-type: none"> 1. All loans 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 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. <p>Additional Conditions: National HTF Loan</p> <ol style="list-style-type: none"> 7. Loan to be in second lien position; and 8. MFA approval of NHTF Environmental Provisions;
MFA Commitments to Other Projects	DBG Properties, Inc. 2013 NM-HTF - Silver Moon - \$467,720.81
MFA Exposure	Total MFA Exposure: \$467,720.81 (excludes LIHTC, grants and loans pending approval).
Prepared by	Sharlynn Rosales, Program Coordinator Date 10/2/2019
Reviewed by	Kevin Drexel, Assistant Director of Housing Development

PROJECT INFORMATION SUMMARY						
Project Name	City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs	
Ceja Vista Senior Apartments	Albuquerque					
Total Development Cost	\$ 23,503,064	NC	156	1-BED & 2-BED	30%, 60%, and 70%	
Borrower	Ceja Vista Senior Apartments Limited Liability Limited Partnership					
Management	GSL Properties, Inc.	YEAR BUILT (AR)	LIHTC ALLOC	4% or 9%		
Developer	DBG Properties LLC	0	\$ 7,974,426	4%		
		NC =	New Construction			
		AR =	Acquisition/Rehab			
		AMI =	Area Median Income			
		MR =	Market Rate apartments			
NATIONAL HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NHTF UNITS:		10	
Funds Available as of:	07/30/19	\$2,880,000				
	MFA Guidelines	Loan Request		EXCEPTIONS/CONDITIONS/NOTES		
Maximum Loan Amount	NA	\$1,500,000				
Rates	3.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, no max on perm	2 yr construct, 35 yr perm				
Loan Amortization	Cash- flow or Forgiveable	Cash-flow				
Lien Position	Subordinate allowed	3rd lien position				
Affordability Requirements	Min 30 years, NHTF units restricted to 30% AMI	35 years, 10 NHTF units at 30% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	within guidelines yrs 1-12. year 13 at 1.41 and year 15 at 1.44				
Scoring Criteria	40-100 points	88				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Ceja Vista Senior Apartments	Total	% TDC	Cost/GSF*
Acquisition Costs	(land, building acquisition, & other acquisition costs)	\$ 1,100,000	5%	\$ 8.79
Construction Hard Costs		\$ 12,170,000	52%	\$ 97.26
Other Construction Costs	(contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$ 3,296,146	14%	\$ 26.34
Professional Services/Fees	(architect, engineer, real estate legal, etc)	\$ 615,000	3%	\$ 4.91
Construction Financing Costs	(interest, insurance, inspections, fees, etc)	\$ 2,201,920	9%	\$ 17.60
Permanent Financing Costs	(fees, title/recording, etc)	\$ 474,546	2%	\$ 3.79
Other Soft Costs	(tax credit fees, environmental reports, appraisals, accounting, etc)	\$ 170,015	1%	\$ 1.36
Syndication-Related Costs	(organization, bridge loan, tax opinion, etc)	\$ 70,000	0%	\$ 0.56
Reserves	(rent-up, operating, replacement, escrows, etc)	\$ 605,437	3%	\$ 4.84
Developer Fees	(inc consultant fees)	\$ 2,800,000	12%	\$ 22.38
Total Development Costs (TDC)		\$ 23,503,064	100%	\$ 187.83
TDC w/o Land, Reserves & Commercial		\$ 21,797,627	93%	\$ 174.20

*Gross square footage: 125,128

CONSTRUCTION SOURCES				
Project:	Ceja Vista Senior Apartments	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Bernco Bonds	\$ 16,000,000	68.1%	\$ 102,564
2nd Lien holder	MFA NHTF	\$ 1,500,000	6.4%	\$ 9,615
3rd Lien holder			0.0%	\$ -
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Deferred Developer Fee	\$ 2,800,000	11.9%	\$ 17,949
LIHTC Equity	TBD	\$ 2,631,561	11.2%	\$ 16,869
Other source	Reserves	\$ 565,524	2.4%	\$ 3,625
Other source	Deferred Contractor Profit	\$ 5,979	0.0%	\$ 38
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Construction Sources		\$ 23,503,064	100.0%	\$ 150,661

PERMANENT SOURCES				
Project:	Ceja Vista Senior Apartments	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Bernco Bonds	\$ 11,230,000	47.8%	\$ 71,987
2nd Lien holder	MFA NHTF	\$ 1,500,000	6.4%	\$ 9,615
3rd Lien holder			0.0%	\$ -
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Deferred Developer Fee	\$ 2,798,638	11.9%	\$ 17,940
LIHTC Equity	TBD	\$ 7,974,426	33.9%	\$ 51,118
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Permanent Sources		\$ 23,503,064	100.0%	\$ 150,661

Appendix A: Development Cost Budget		
Ceja Vista Senior Apartments	Gross Sq. Footage:	125,128
Albuquerque, NM	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ 1,100,000	\$ 8.79
Building Acquisition	\$ -	\$ -
Other	\$ -	\$ -
SUBTOTAL	\$ 1,100,000	\$ 8.79
CONSTRUCTION HARD COSTS		
Demolition	\$ -	\$ -
Accessory Structures	\$ -	\$ -
Site Construction	\$ 1,217,000	\$ 9.73
Buildings and Structures	\$ 10,953,000	\$ 87.53
Off-Site Improvements	\$ -	\$ -
Other Costs:	\$ -	\$ -
SUBTOTAL	\$ 12,170,000	\$ 97.26
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 243,400	\$ 1.95
Contractor Profit	\$ 486,800	\$ 3.89
General Requirements	\$ 730,200	\$ 5.84
Construction Contingency	\$ 681,520	\$ 5.45
Gross Receipts Tax (GRT)	\$ 1,054,226	\$ 8.43
Landscaping	\$ -	\$ -
Furniture, Fixtures, & Equipment	\$ 100,000	\$ 0.80
Other: Permit Fees	\$ -	\$ -
SUBTOTAL	\$ 3,296,146	\$ 26.34
PROFESSIONAL SERVICES/FEEES		
Architect (Design)	\$ 600,000	\$ 4.80
Architect (Supervision)	\$ -	\$ -
Attorney (Real Estate)	\$ 15,000	\$ 0.12
Engineer/Survey	\$ -	\$ -
Other: HERS Rater	\$ -	\$ -
SUBTOTAL	\$ 615,000	\$ 4.91
CONSTRUCTION FINANCING		
Hazard Insurance	\$ 100,000	\$ 0.80
Liability Insurance	\$ 100,000	\$ 0.80
Performance Bond	\$ 100,000	\$ 0.80
Interest	\$ 815,000	\$ 6.51
Origination\Discount Points	\$ 163,420	\$ 1.31
Credit Enhancement	\$ -	\$ -
Inspection Fees	\$ 37,500	\$ 0.30
Title and Recording	\$ 75,000	\$ 0.60
Legal	\$ 215,000	\$ 1.72
Taxes	\$ -	\$ -
Other: Builder's Risk Insurance	\$ 596,000	\$ 4.76
SUBTOTAL	\$ 2,201,920	\$ 17.60

Project: Ceja Vista Senior Apartments		
PERMANENT FINANCING COSTS		
Bond Premium	\$ -	\$ -
Credit Report	\$ -	\$ -
Origination\Discount Points	\$ -	\$ -
Credit Enhancement	\$ -	\$ -
Title and Recording	\$ -	\$ -
Cost of Bond Issuance	\$ 50,000	\$ 0.40
Legal	\$ -	\$ -
Pre-Paid MIP	\$ -	\$ -
Reserves and Escrows	\$ 20,000	\$ 0.16
Other: Misc. permanent loan costs	\$ 404,546	\$ 3.23
SUBTOTAL	\$ 474,546	\$ 3.79
SOFT COSTS		
Market Study	\$ 8,500	\$ 0.07
Environmental	\$ 10,000	\$ 0.08
Tax Credit Fees	\$ 31,015	\$ 0.25
Appraisal	\$ 5,500	\$ 0.04
Hard Relocation Costs	\$ -	\$ -
Accounting/Cost Certification	\$ 15,000	\$ 0.12
Other: Soft Cost Contingency	\$ 100,000	\$ 0.80
SUBTOTAL	\$ 170,015	\$ 1.36
SYNDICATION		
Organization	\$ 70,000	\$ 0.56
Bridge Loan	\$ -	\$ -
Tax Opinion	\$ -	\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 70,000	\$ 0.56
TDC before Dev. Fees & Reserves	\$ 20,097,627.00	\$ 160.62
RESERVES		
Rent Up	\$ 39,913	\$ 0.32
Operating	\$ 565,524	\$ 4.52
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other: Reserve for Social Services	\$ -	\$ -
SUBTOTAL	\$ 605,437	\$ 4.84
DEVELOPER FEES		
Developer Fee	\$ 2,800,000	\$ 22.38
Consultant Fee	\$ -	\$ -
Relocation Consultant	\$ -	\$ -
SUBTOTAL	\$ 2,800,000	\$ 22.38
Total Development Cost (TDC)	\$ 23,503,064	\$ 187.83
TDC w/o Land, Reserves & Commercial	\$ 21,797,627	\$ 174.20

Tab 9

2019 NM AFFORDABLE HOUSING TAX CREDIT AWARD SUMMARY

Project Name & Address	Soleras Station – 4690 Rail Runner Road, Santa Fe, NM – Santa Fe County	
Proposed Award	Amount Requested: \$686,671	Amount Recommended: \$686,671
Sponsor/Developer	<p>Santa Fe Community Housing Trust (SFCHT) is a nonprofit New Mexico Corporation created in 1992 to secure more affordable housing in the Santa Fe area. Activities include homebuyer education programs, homebuyer & rental subsidies, property development and government program administration. SFCHT has successfully utilized resources such as CDBG, HOME, HOPWA, LIHTC and Bond Revenue to provide affordable housing in the Santa Fe area. It has developed over 860 units since its founding, which includes both rental and for-sale homes for low income households. The Village Sage, a 60-unit low income rental project in Santa Fe, was awarded credits under the Tax Credit Exchange Program (TCEP) in 2008, and the acquisition/rehab of an old Santa Fe motel (Stage Coach) was awarded in 2011 under the Low Income Housing Tax Credit (LIHTC) program. In 2017, Soleras Station was awarded \$1,081,327 in Low Income Housing Tax Credits (LIHTC). SFCHT has been designated by MFA as a Community Housing Development Organization (CHDO) for past projects. Executive Director Justin Robison is supported by a staff of eleven full-time employees.</p> <p>SFCHT and controlled affiliates provided audited consolidated financial statements for its FYE 12/31/17. The statements show total assets of \$48 million, a low .48 to 1 debt-to-worth, \$2.6 million in cash, net profit of \$855K and a positive operating cash flow. The audit revealed no findings and classified the organization a low-risk auditee. In addition, internally-prepared consolidated statements for FYE 12/31/17 show improving trends. Audited financials for current fiscal year are in process and will be submitted when final.</p>	
Project Type & Size	New construction of 87 rental units composed of 16 units for households earning 30% or less of area median income (AMI), 29 units for 50% AMI households, 28 units for 60% AMI households and 14 units at market rent.	
Project Description	<p>New construction of 87 rental units to be located within the 540-acre Las Soleras Master-Planned Community located in a developing mixed-use neighborhood in southwestern Santa Fe. The project will be built to LEED efficiency standards. There will be 22 one-bedroom units (615 sq. ft.), 35 two-bedroom/1 bath units (832 sq. ft.), 15 two-bedroom/2 bath units (839 sq. ft.) and 15 three-bedroom units (1,065 sq. ft.). Eighteen units will be set aside for special needs households. As explained in “Project Type & Size” above the project will be 84% affordable (i.e. 73 units) serving 30%, 50% & 60% AMI households and 16% market rate (i.e. 14 units). Net projected monthly rents for the affordable units (i.e. after utility allowances) range from \$254 to \$618 for one-bedroom, \$297 to \$734 for two-bedrooms & \$335 to \$1,453 for three-bedrooms. The project comprises 79,506 gross square feet in 11 residential buildings (varying from 1 to 3 stories) plus a 3,636 sq. ft. community building, which will have offices for site management, service coordinator, lobby, lounge, classroom, kitchen, gym area and computer lab. There will be a bicycle garage/repair station and secure storage. Other amenities include raised bed gardens, trails and outdoor cooking areas with bbq grills.</p> <p>The MFA-ordered 4/12/17 Novogradac market study states the Primary Market Area (PMA) area is an irregularly shaped area bounded by Cerrillos Road/Agua Fria Street on the north, I-25 on the south, Old Pecos Trail on the east and Veteran’s Memorial HWY on the west. The site is located in close proximity to services, employment, public transportation and retail. In-unit amenities are comparable to market rate units and slightly superior to comparable LIHTC properties, which have a 3% vacancy rate. The primary market area (PMA) population is expected to increase through 2021. The project’s projected rents are below comparable market rate properties. The project is expected to rent to 95% occupancy within six to eight months. In summary, this project is highly feasible.</p> <p>This application scored 95 out of 100 for evaluation criteria, with 0 points (out of 20) for “Priority Ranking”, for an overall score of 95.</p>	
Tax Credit Impact	This applicant is seeking \$686,671 in tax credit proceeds based on \$1,373,342 of received donations of cash, property, and in-kind donations. The \$1,373,342 in donations generated through the state tax credits will be used for construction and development costs, application fees, design, and permit fees. Pulte Homes has donated \$2,248,341.62 to the project, including a donation of land, with appraised value of \$875,000, to the City of Santa Fe which then transferred to the Developer.	

Affordability	73 units must be rented to an individual or family that is at 60% or below of Area Median Income. The Affordability Period is for thirty (30) years based on the MFA's Affordable Housing Tax Credit Rules.		
Special Conditions	1. Land Use Restriction Agreement (LURA) will be placed on the project for 30 years, restricting rent for 73 units to tenants earning 60% or less of AMI, adjusted for household size.		
Other MFA Commitments to This Project	2017 LIHTC – Soleras Station - \$1,081,327 2017 HOME CHDO – Soleras Station – \$450,000		
Other MFA Commitments to Other Projects	2008 Risk Share Loan – The Village Sage - \$995,713 2008 NMHTF loan – The Village Sage - \$413,522 2008 EnergySavers loan – The Village Sage - \$194,343 2009 Tax Credit Exchange Program loan – The Village Sage - \$8,872,429 2011 HOME CHDO – Stage Coach Apartments - \$425,662 2011 NMHTF – Stage Coach Apartments - \$433,410 2011 LIHTC – Stage Coach Apartments - \$1,039,833 (<i>Notes: Risk Share loans carry 10% MFA risk - loan balances as of 8/31/19</i>)		
Tax Credits Available	Estimated \$4,694,686 in unreserved credit authority as of 08/31/2019		
Recommended by	Patty Balderrama, Program Coordinator	Date	09/26/2019
Concurred by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY					
Project Name	City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Soleras Station	Santa Fe				
Total Development Cost	\$ 16,358,818	NC	87	1-BED, 2-BED, 3-BED	30%, 50%, 60%, 14 MR
Borrower	SS-2017, LLLP				
Management	Monarch Properties, Inc.	YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	Santa Fe Community Housing Trust	2019		\$ 1,081,327	9%
		NC =	New Construction		
		AR =	Acquisition/Rehab		
		AMI =	Area Median Income		
		MR =	Market Rate apartments		

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Soleras Station	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 875,000	5%	\$ 10.52
Construction Hard Costs		\$ 7,880,080	48%	\$ 94.78
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 3,959,123	24%	\$ 47.62
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 537,394	3%	\$ 6.46
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 873,445	5%	\$ 10.51
Permanent Financing Costs (fees, title/recording, etc)		\$ 225,000	1%	\$ 2.71
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 177,776	1%	\$ 2.14
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ -	0%	\$ -
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 407,500	2%	\$ 4.90
Developer Fees (inc consultant fees)		\$ 1,423,500	9%	\$ 17.12
Total Development Costs (TDC)		\$ 16,358,818	100%	\$ 196.76
TDC w/o Land, Reserves & Commercial		\$ 15,076,318	92%	\$ 181.33

*Gross square footage: 83,142

CONSTRUCTION SOURCES				
Project:	Soleras Station	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Citi Bank	\$ 12,100,000	74.0%	\$ 139,080
2nd Lien holder	MFA HOME CHDO loan (partial release of total)	\$ 450,000	2.8%	\$ 5,172
3rd Lien holder	SFCHT Loan	\$ 1,704,319	10.4%	\$ 19,590
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee			0.0%	\$ -
LIHTC Equity	Red Stone Equity (1st TC installment)	\$ 994,722	6.1%	\$ 11,434
Other source	City of Santa Fe Donation of Land	\$ 875,000	5.3%	\$ 10,057
Other source	Pulte Donation	\$ 100,000	0.6%	\$ 1,149
Other source	CDBG Grant	\$ 134,777	0.8%	\$ 1,549
Other source			0.0%	\$ -
Total Construction Sources		\$ 16,358,818	100.0%	\$ 188,032

PERMANENT SOURCES				
Project:	Soleras Station	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Citi Bank	\$ 3,213,982	19.6%	\$ 36,942
2nd Lien holder	MFA HOME CHDO loan	\$ 500,000	3.1%	\$ 5,747
3rd Lien holder			0.0%	\$ -
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Santa Fe Community Housing Trust	\$ 449,280	2.7%	\$ 5,164
LIHTC Equity	Red Stone Equity	\$ 9,947,214	60.8%	\$ 114,336
Other source	City of Santa Fe Donation of Land	\$ 875,000	5.3%	\$ 10,057
Other source	Pulte Donation	\$ 1,373,342	8.4%	\$ 15,786
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Permanent Sources		\$ 16,358,818	100.0%	\$ 188,032

Tab 10



MEMORANDUM

TO: Board of Directors
FROM: Rebecca Velarde, Director of Policy and Planning
DATE: October 16, 2019
SUBJECT: MFA 2020 Legislative Agenda

Recommendation:

Staff recommends board approval of MFA's legislative agenda for 2020.

Background:

MFA is proposing the following seven appropriation requests for the 2020 New Mexico Legislative Session, which were discussed with the Mortgage Finance Authority Act Oversight Committee on July 30, 2019. Pending MFA board approval, the Mortgage Finance Authority Act Oversight Committee will endorse the bills at its November meeting.

1. **Regional Housing Oversight, \$300,000**
State mandate, inclusion in Department of Finance and Administration (DFA) budget requested
2. **Affordable Housing Act Oversight, \$250,000**
State mandate
3. **New Mexico Housing Trust Fund, \$10 million**
Also submitted as a capital outlay request
4. **Low-Income Residential Energy Conservation (NM Energy\$mart), \$2 million**
Also submitted as a capital outlay request
5. **Veteran Home Rehabilitation, \$2 million**
Needed as match for two \$1 million competitive grants MFA received for HUD's Veterans Home Rehabilitation and Modification pilot program
6. **Emergency Home Repair, \$2 million**
7. **Homebuyer Counseling, \$500,000**

Summary:

Board approval is requested for MFA's legislative agenda for the 2020 New Mexico Legislative Session. The 2020 legislative agenda includes seven appropriations requests: Regional Housing Authority Oversight, Affordable Housing Act Oversight, the New Mexico Housing Trust Fund, the NM EnergySmart Program, Veteran Home Rehabilitation, Emergency Home Repair and Homebuyer Counseling.

MFA 2020 Legislative Agenda

New Mexico Housing Trust Fund

\$10 million

This appropriation will help build or rehabilitate approximately 1,000 quality affordable homes for low-income New Mexicans. A \$10 million request for each year has been included in MFA's FY 2021-2025 Infrastructure Capital Improvements Plan (ICIP).

Background: The New Mexico Housing Trust Fund was created by the New Mexico Legislature in 2005 with an initial appropriation of \$10 million and subsequent appropriations of \$10.85 million. **Results:** MFA has grown the fund to \$27.9 million through loan and investment interest and has awarded more than \$49 million by recycling interest and principal payments. The New Mexico Housing Trust Fund has helped to construct or rehabilitate over 3,500 homes in 57 housing developments and has leveraged over \$507 million in other funding—a 25-to-1 return on the state's investment.

Regional Housing Authority Oversight

\$300,000

Twenty-five percent of this appropriation will be used to cover MFA's oversight costs, with the remaining seventy-five percent dedicated to specialized training, technical assistance and capacity building for New Mexico's three regional housing authorities, which exclusively serve rural counties.

Background: In 2009, MFA was mandated by the state to restructure and oversee the regional housing authorities (RHAs), which exclusively serve New Mexico's rural counties. MFA consolidated the seven RHAs into three (Northern RHA in Taos, Eastern RHA in Roswell, and Western RHA in Silver City and Deming) and began providing training and technical assistance and ensuring annual audits. MFA receives no recurring funds for its oversight function. **Results:** The RHAs continue to successfully administer Section 8 vouchers and public housing in rural areas, have consolidated with smaller public housing authorities, and have added new programs and housing development capacity. Furthermore, there has been no fraud, waste or abuse within the RHAs since MFA began its oversight function.

Affordable Housing Act Oversight Duties

\$250,000

This appropriation will enable MFA to 1) oversee the Affordable Housing Act, including review and approval of plans and ordinances, 2) provide direct technical assistance to local governments, and 3) offer planning and implementation grants to local governments on an as-needed basis.

Background: The Affordable Housing Act was signed into law in 2004. Like the Local Economic Development Act (LEDA), it is an exemption to the state's Anti-Donation clause. It



permits the state and local governments to contribute public funds, land, buildings and other resources to create and preserve affordable housing. MFA is charged with rulemaking authority and oversight of the Act but receives no funds for these purposes. **Results:** To date, MFA has assisted 34 local governments in adopting an affordable housing ordinance and 37 local governments in creating affordable housing plans. These local governments have donated land and resources totaling more than \$56 million for affordable housing as of January 2019.

Low-Income Energy Conservation Program

\$2 million

This appropriation will weatherize and provide energy-efficiency upgrades for an additional 300 low-income households statewide. The request has been included in MFA's FY 2021-2025 Infrastructure Capital Improvements Plan (ICIP).

Background: MFA has operated New Mexico's weatherization program—NM Energy\$mart—since 1997. NM Energy \$mart weatherizes the homes of approximately 750 low-income families each year using two federal sources, the Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP), in addition to utility company sources. Demand for the program is great. Based on income eligibility, more than 200,000 households across the state are eligible, and our current wait list numbers over 2,300 households. **Results:** Low-income homeowners, many of who are frail elderly with fixed incomes, save hundreds of dollars in annual utility costs, realize an improved quality of life and are healthier and safer in their homes.

Home Rehab for Certain Veterans

\$2 million

This appropriation will rehabilitate an additional 120 homes of low-income, honorably discharged veterans. If funded, this request will be used as matching funds for HUD's Veterans Home Rehabilitation and Modification (VHRM) pilot program, for which MFA has been awarded funding.

Background: New Mexico has a high percentage of veterans. Our state is home to 150,650 veterans representing 9.5 percent of our adult population, compared to only 7.7 percent in the U.S. Of these, 45,849 are disabled veterans, and 5,075 are disabled veterans in poverty. More than 25,000 New Mexico veterans live in homes with one or more major problem with quality, crowding or cost and an estimated 248 veterans are currently homeless. Furthermore, approximately half of New Mexico veterans are over age 65, meaning the need to modify homes to address physical mobility and other age-related issues is increasing over time (Sources: Veterans Data Central, <http://veteransdata.info/>; VA state summary and U.S. Census, 2016). While veterans are eligible for MFA's existing rehabilitation and weatherization programs, high demand and limited funding only enable us to assist approximately 100 veteran households each year.



Low-Income Home Emergency Repairs

\$2 million

This appropriation will provide emergency home repair, including mitigation of health and safety hazards, roof replacement and accessibility improvements, for approximately 250 low-income households.

Background: New Mexico's housing stock is aging. Forty-six percent of homes were built before 1980, with only 19 percent built since 2000. Furthermore, New Mexico has one of the highest rates of poverty (20.6 percent) and one of the lowest household median incomes (\$46,718) in the U.S. (2013-2017 American Community Survey 5-Year Estimates). A high percentage of low-income households own their homes but often lack resources to make repairs, much less respond to life-changing conditions, natural disasters or emergencies. While MFA receives many requests for emergency assistance each year, it cannot fund these requests through its existing rehabilitation program due to high demand, limited funding and federal requirements that the home be brought fully up to code.

Pre-Purchase Homebuyer Education

\$500,000

This appropriation will enable MFA to create and begin implementation of a statewide pre-purchase education program for first-time homebuyers. This legislation was originally proposed in 2015 by the Foreclosure Process Task Force, which was established by SM11 in 2014.

Background: Studies have found that pre-purchase homebuyer counseling significantly reduces the rate of delinquencies and foreclosures and is therefore an effective tool to promote neighborhood and community stability. MFA requires pre-purchase homebuyer education for all MFA loans and confirms these findings. However, pre-purchase homebuyer education is not required by other lenders unless they are using MFA mortgage products. This appropriation would allow MFA to develop a more robust homebuyer counseling program that can potentially be deployed statewide, by all lenders.

Tab 11



MFA Finance Committee

October 16, 2019

Finance Committee –

**(Audit, Budget, Investments/Personnel, Program Policy & Development, Bond Structures,
Investment Banking Underwriting)**

Derek Valdo (Chair)
State Treasurer Tim Eichenburg
Lieutenant Governor Howie Morales

Tab 12

**Staff Actions Requiring Notice to Board
During the Period of September 30, 2019**

Department and Program	Project	Action Taken	Comments
Community Development Dept/Veterans Rehab and Modification	Rehab and Modification (VRM) Program - Amended	<u>Amended:</u> Administration is \$100,000 (10% of the total VRM funding). MFA is receiving \$50,000 admin and the Service Providers will receive \$50,000.	Approved by PC on 9/3/19
Community Development Dept/ Emergency Homeless Assistance Program (EHAP)	Program Year 2019-2020 EHAP program	The current Performance Agreement between MFA and St. Elizabeth Shelter will be amended to include the addition of \$38,683.02, for a new total award to St. Elizabeth of \$97,953.13	Approved by PC on 9/17/2019

Tab 13

New Mexico Mortgage Finance Authority

Combined Financial Statements
And Schedules

August 31, 2019

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2019

COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):

	11 months <u>8/31/2019</u>	11 months <u>8/31/2018</u>	% Change <u>Year / Year</u>	Forecast <u>8/31/2019</u>	Actual to <u>Forecast</u>	Forecast/Target <u>9/30/19</u>
PRODUCTION						
1 Single family issues (new money):	\$299.9	\$160.0	87.4%	\$269.5	11.3%	\$294.0
2 Single family loans sold (TBA):	\$100.1	\$221.9	-54.9%	\$115.5	-13.3%	\$126.0
3 Total Single Family Production	\$400.0	\$381.9	4.7%	\$385.0	3.9%	\$420.0
4 Multifamily issues:	\$18.7	\$0.0	100.0%	\$26.8	-30.2%	\$26.8
5 Single Family Bond MBS Payoffs:	\$37.6	\$53.0	-29.1%	\$47.0	-20.0%	\$51.3
STATEMENT OF NET POSITION						
6 Avg. earning assets:	\$1,187.2	\$981.7	20.9%	\$1,104.4	7.5%	\$1,181.5
7 General Fund Cash and Securities:	\$94.4	\$95.1	-0.7%	\$90.6	4.1%	\$89.0
8 General Fund SIC FMV Adj.:	\$0.3	\$0.5	-40.0%	\$0.0	N/A	\$0.0
9 Total bonds outstanding:	\$1,083.7	\$758.4	42.9%	\$934.9	15.9%	\$1,066.7
STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10 General Fund expenses (excluding capitalized assets):	\$15.0	\$13.9	7.9%	\$16.4	-8.5%	\$18.0
11 General Fund revenues:	\$21.2	\$21.3	-0.5%	\$20.7	2.4%	\$22.8
12 Combined net revenues (all funds):	\$9.7	\$9.4	3.2%	\$6.7	45.0%	\$7.3
13 Combined net revenues excluding SIC FMV Adj. (all funds):	\$8.9	\$9.3	-4.3%	\$6.7	33.0%	\$7.3
14 Combined net position:	\$244.6	\$234.0	4.5%	\$241.6	1.2%	\$242.2
15 Combined return on avg. earning assets:	0.89%	1.05%	-14.9%	0.62%	43.5%	0.62%
16 Net TBA profitability:	0.77%	1.06%	-27.4%	1.00%	-23.0%	1.00%
17 Combined interest margin:	1.03%	1.05%	-1.9%	0.89%	15.7%	0.89%
MOODY'S BENCHMARKS						
18 Net Asset to debt ratio (5-yr avg):	29.25%	29.36%	-0.4%	29.66%	-1.4%	29.66%
19 Net rev as a % of total rev (5-yr avg):	10.96%	10.20%	7.5%	10.04%	9.2%	10.04%
SERVICING						
20 Mortgage Operations net revenues:	\$0.9	\$3.6	-75.0%	\$0.7	22.7%	\$0.8
21 Subserviced portfolio	\$1,114.5	\$738.0	51.0%	\$1,051.7	6.0%	\$1,136.4
22 Servicing Yield (subserviced portfolio)	0.38%	0.39%	-2.6%	0.38%	0.0%	0.38%
23 Combined average delinquency rate (MFA serviced)	9.84%	11.84%	-16.9%	12.00%	-18.0%	12.00%
24 DPA loan delinquency rate (all)	9.35%	10.50%	-11.0%	N/A	N/A	N/A
25 Default rate (MFA serviced-annualized)	1.28%	1.57%	-18.5%	2.75%	-53.5%	2.75%
26 Subserviced portfolio delinquency rate (first mortgages)	8.92%	6.14%	45.3%	N/A	N/A	N/A
27 Purchased Servicing Rights Valuation Change (as of 6/30)	\$1.4	\$2.7	-48.1%	N/A	N/A	N/A

Note: Forecast updated with budget amendment and actuals through March 2019.

Legend:

Positive Trend	Caution	Negative Trend	Known Trend/Immaterial
----------------	---------	----------------	------------------------

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2019

SUMMARY OF NEW BOND ISSUES:

Single Family Issues:

\$49.9 mm 2018 Series D Bonds-New Money (December)
\$70.0 mm 2019 Series A Bonds-New Money (February)
\$26.1 mm 2019 Series B Bonds-Refunding (February)
\$80.0 mm 2019 Series C Bonds-New Money (May)
\$100 mm 2019 Series D Bonds-New Money (August)
\$22.7 mm 2019 Series E Bonds-Refunding (August)

Multi-family Issues:

\$9.7 mm 2019 Series JLG North Multifamily-New Money (August)
\$9.0 mm 2019 Series JLG South Multifamily-New Money (August)

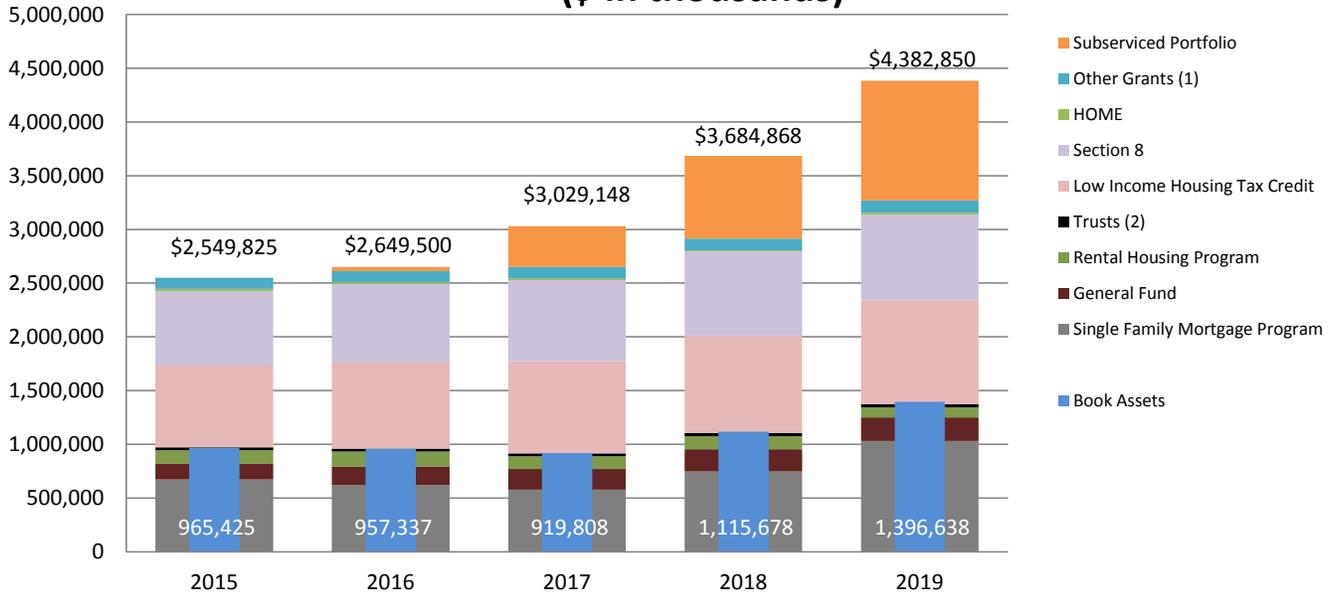
SIGNIFICANT MONTHLY FINANCIAL VARIANCES:

► MFA had four bond closings in August.

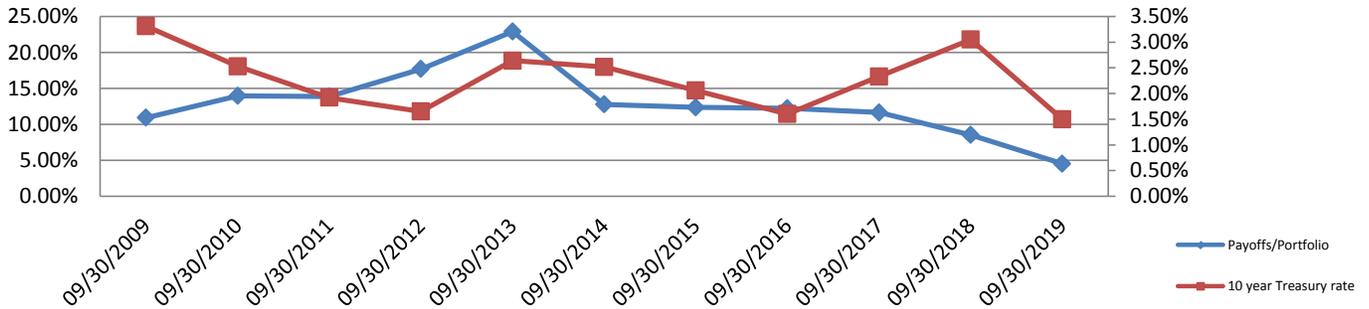
CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

- MFA has incurred a \$.3 million year to date gain on the State Investment Counsel (SIC) General Fund investment portfolio due to fair market valuation (FMV) adjustments. MFA classifies FMV adjustments on this portfolio as non-operating gains/losses, however, that line item is still a component of the net revenues reported in the financial statements and in this financial review. Excluding the FMV adjustments on the SIC portfolios (General Fund and Housing Trust Fund), combined net revenues were \$8.9 million which exceeds last fiscal year's net revenues and the forecast. These FMV adjustments are not currently negatively impacting other metrics reported.
- Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase.
- This fiscal year bond issuance is still the best execution for Single Family Mortgage first-time homebuyer loans. 2019 Series D closed August 2019 and will fund \$100 million in new mortgage loans. In the bond execution the majority of the revenue is earned over time and with TBA sales all revenue is received upfront. The budget was based on production being funded 70% by issuing tax exempt bonds and 30% TBA sales.
- NEXT HOME production levels are lower than anticipated this year and that is impacting the TBA program's performance. Staff has had to lower mortgage rates to attract lenders which has impacted the profitability of that execution, including financial performance of the Mortgage Operations unit. The strategy is to price NEXT HOME very competitively to motivate lenders to use the program and manage profitability thresholds accordingly.
- Staff does continue to have concerns over the MBS subserviced portfolio increased delinquency rates. The Compliance Officer and Director of Servicing are closely monitoring loss mitigation activities, collections and foreclosure services provided by MFA's servicer and coordinating with them on risk management strategies and reporting. Idaho Housing is providing delinquency reasons and the two most common are still curtailment of income and excessive obligations. These delinquencies have an effect on the credit risk associated with MFA's down payments assistance (DPA) portfolio as well as the financial impacts associated with foreclosures and loan modifications on the first mortgages themselves. The subserviced portfolio is approx. 80% FHA insured loans; the delinquency rate for FHA loans nationally is 7.08% and for New Mexico 3.33%. 4.85% of MFA's delinquencies in this portfolio are in the 30 to 59 days past due range. Idaho Housing continues to allocate staff to early stage collection activities.
- Reserve levels for all MFA loan portfolios are deemed adequate.
- Fair market value for purchased servicing rights as of June 30, 2019 was \$11.6 million an increase of approximately \$1.4 million over cost. GASB requires MFA to utilize "lower of cost or market" accounting for this asset. Therefore, no valuation adjustments are anticipated. Current purchased servicing rights are recorded at a cost of \$10.1 million as of June 30, 2019. Valuations are obtained on a quarterly basis. Valuation increases are declining primarily due to increases in New Mexico mortgage loan prepayments, decreased earnings rates and increased delinquencies during the last quarter.
- Based on Moody's issuer credit rating scorecard, MFA's 29.25 percent net asset 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 percent). The net revenue as a percent of total revenue measures performance and profitability and MFA's 10.96 percent ratio (5-year average) points to a high profitability with favorable trends (10-15 percent range). While ratios currently fall within expected thresholds, there are some trends that are effecting these ratios. In future years MFA will see the net asset ratio decline as net revenues will not be increasing at the same rate as bonds outstanding. As previously noted, the bond execution is expected to fund 70% of the single family mortgage production this year.
- Moody's Investor Services issued an updated credit opinion on MFA in the spring of 2018. They reaffirmed the Aa3 rating. Comments included strong asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily risk share program and no exposure to variable rate debt. Additionally, Moody's reaffirmed the Aaa1 rating on the single family indenture.

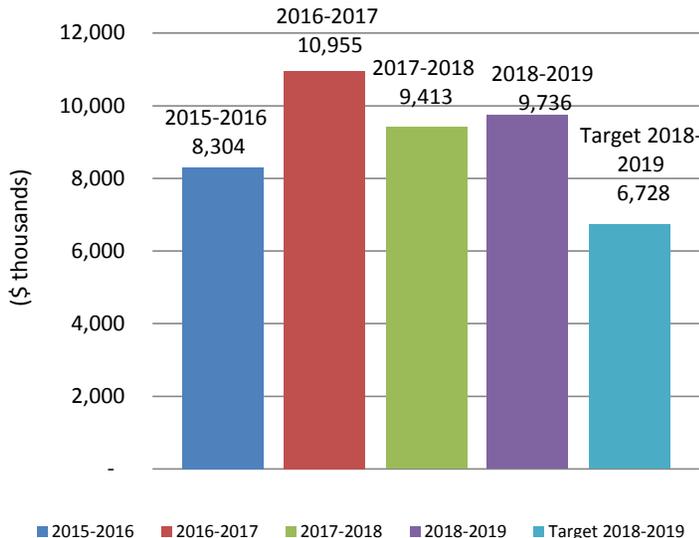
Assets Under Management as of 9/30/2019 (\$ in thousands)



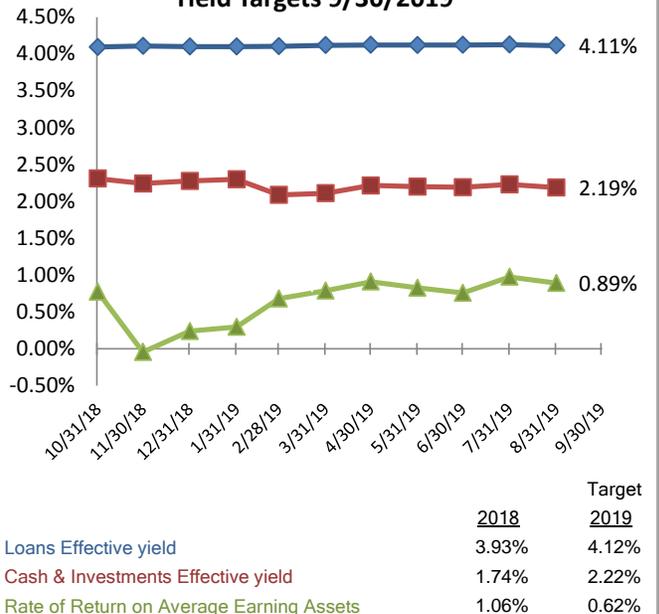
YTD Annualized Payoffs as a Percentage of Single Family Mortgage Portfolio as of 9/30/2019



YTD Excess Revenues over Expenses as of 8/31/2019



Yield Targets 9/30/2019



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

NEW MEXICO MORTGAGE FINANCE AUTHORITY
 COMBINED STATEMENT OF NET POSITION
 AUGUST 2019
 (THOUSANDS OF DOLLARS)

	<u>YTD 8/31/2019</u>	<u>YTD 08/31/18</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$39,306	\$39,632
RESTRICTED CASH HELD IN ESCROW	10,669	10,692
SHORT-TERM INVESTMENTS	-	-
ACCRUED INTEREST RECEIVABLE	4,041	3,373
OTHER CURRENT ASSETS	2,133	2,230
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	0
INTER-FUND RECEIVABLE (PAYABLE)	-	-
TOTAL CURRENT ASSETS	<u>56,149</u>	<u>55,928</u>
CASH - RESTRICTED	129,841	50,248
LONG-TERM & RESTRICTED INVESTMENTS	70,528	69,296
INVESTMENTS IN RESERVE FUNDS	323	68
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	905,043	648,047
MORTGAGE LOANS RECEIVABLE	225,295	237,977
ALLOWANCE FOR LOAN LOSSES	(2,867)	(1,425)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,178	1,238
OTHER REAL ESTATE OWNED, NET	25	100
OTHER NON-CURRENT ASSETS	-	-
INTANGIBLE ASSETS	<u>10,735</u>	<u>6,836</u>
TOTAL ASSETS	<u>1,396,249</u>	<u>1,068,313</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	389	502
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>1,396,638</u>	<u>1,068,815</u>
<u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$10,048	\$9,607
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	9,265	10,728
ESCROW DEPOSITS & RESERVES	<u>10,537</u>	<u>10,538</u>
TOTAL CURRENT LIABILITIES	29,850	30,873
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,083,701	758,432
MORTGAGE & NOTES PAYABLE	38,276	45,344
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	166	205
TOTAL LIABILITIES	<u>1,151,993</u>	<u>834,854</u>
<u>NET POSITION:</u>		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,178	1,200
UNAPPROPRIATED NET POSITION (NOTE 1)	62,792	64,377
APPROPRIATED NET POSITION (NOTE 1)	<u>180,675</u>	<u>168,384</u>
TOTAL NET POSITION	<u>244,645</u>	<u>233,961</u>
TOTAL LIABILITIES & NET POSITION	<u>1,396,638</u>	<u>1,068,815</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE ELEVENTH MONTHS ENDED AUGUST 2019
(THOUSANDS OF DOLLARS)

	<u>YTD 8/31/2019</u>	<u>YTD 08/31/18</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$38,558	\$30,645
INTEREST ON INVESTMENTS & SECURITIES	3,619	2,418
LOAN & COMMITMENT FEES	3,023	1,608
ADMINISTRATIVE FEE INCOME (EXP)	4,664	7,222
RTC, RISK SHARING & GUARANTY INCOME	115	105
HOUSING PROGRAM INCOME	1,177	1,146
LOAN SERVICING INCOME	3,887	2,453
OTHER OPERATING INCOME	1	1
SUBTOTAL OPERATING REVENUES	<u>55,043</u>	<u>45,599</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	949	134
OTHER NON-OPERATING INCOME	15	47
GRANT AWARD INCOME	42,861	40,813
SUBTOTAL NON-OPERATING REVENUES	<u>43,825</u>	<u>40,993</u>
TOTAL REVENUES	<u>98,869</u>	<u>86,592</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	12,751	11,954
INTEREST EXPENSE	30,920	23,630
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(1,801)	(1,752)
PROVISION FOR LOAN LOSSES	565	(218)
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	102	77
AMORT. OF SERV. RIGHTS & DEPRECIATION	690	368
BOND COST OF ISSUANCE	2,955	1,683
SUBTOTAL OPERATING EXPENSES	<u>46,183</u>	<u>35,743</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	157	686
GRANT AWARD EXPENSE	42,792	40,750
OTHER NON-OPERATING EXPENSE	-	-
SUBTOTAL NON-OPERATING EXPENSES	<u>42,949</u>	<u>41,436</u>
TOTAL EXPENSES	<u>89,132</u>	<u>77,179</u>
NET REVENUES	9,736	9,413
OTHER FINANCING SOURCES (USES)	-	-
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>9,736</u>	<u>9,413</u>
NET POSITION AT BEGINNING OF YEAR	<u>234,909</u>	<u>224,548</u>
NET POSITION AT 8/31/2019	<u>244,645</u>	<u>233,961</u>

NOTES TO FINANCIAL STATEMENTS

(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of August 31, 2019:

UNAPPROPRIATED NET POSITION:

\$ 32,603	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 30,058	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 131	held for New Mexico Affordable Housing Charitable Trust .
<u>\$ 62,792</u>	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:

\$ 111,313	for use in the Housing Opportunity Fund (\$95,879 in loans plus \$15,434 unfunded, of which \$4,814 is committed).
\$ 38,396	for future use in Single Family & Multi-Family housing programs.
\$ 2,235	for loss exposure on Risk Sharing loans.
\$ 1,178	invested in capital assets, net of related debt.
\$ 10,708	invested in mortgage servicing rights.
<u>\$ 3,469</u>	for the future General Fund Budget year ending 9/30/19 (\$22,624 total budget less \$19,155 expended budget through 08/31/19.)
<u>\$ 167,299</u>	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

By actions of the Board of Directors on December 7, 1999, Housing assets have been appropriated as follows:

<u>\$ 14,553</u>	for use in the federal and state housing programs administered by MFA.
<u>\$ 14,553</u>	Subtotal - Housing Program
<u>\$ 181,853</u>	Total appropriated Net Position
<u>\$ 244,645</u>	Total combined Net Position at August 31, 2019

Total combined Net Position, or reserves, at August 31, 2019 was \$244.6 million, of which \$62.8 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$181.9 million of available reserves, with \$94.4 million primarily liquid in the General Fund and in the federal and state Housing programs and \$87.5 million illiquid

- 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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY GENERAL FUND & HOUSING
BUDGET VARIANCE REPORT
FOR THE ELEVEN MONTHS ENDED 8/31/19**

	ONE MONTH ACTUAL	YEAR TO DATE ACTUAL	YEAR TO DATE PRO RATA BUDGET	UNDER/(OVER) YTD BUDGET	ANNUAL BUDGET	UNDER/(OVER) ANNUAL BUDGET	EXPENDED ANNUAL BUDGET PERCENTAGE
REVENUES							
OPERATING REVENUES							
INTEREST INCOME	704,970	7,916,406	7,927,758	11,352	8,713,054	796,648	90.86%
ADMIN INCOME	739,990	7,826,159	7,959,289	133,130	8,746,745	920,586	89.48%
OTHER OPERATING INCOME	522,859	5,272,283	4,956,329	(315,954)	5,499,669	227,386	95.87%
SUBTOTAL OPERATING REVENUES	<u>1,967,819</u>	<u>21,014,848</u>	<u>20,843,376</u>	<u>(171,472)</u>	<u>22,959,468</u>	<u>1,944,620</u>	<u>91.53%</u>
NON-OPERATING REVENUES	158,103	153,316	(113,575)	(266,891)	(123,900)	(277,216)	-123.74%
TOTAL REVENUES	<u>2,125,922</u>	<u>21,168,164</u>	<u>20,729,801</u>	<u>(438,363)</u>	<u>22,835,568</u>	<u>1,667,404</u>	<u>92.70%</u>
EXPENSES							
OPERATING EXPENSES							
COMPENSATION	661,962	6,521,536	7,277,418	755,881	7,939,001	1,417,465	82.15%
TRAVEL & PUBLIC INFO	29,839	332,985	438,950	105,965	478,855	145,870	69.54%
OFFICE EXPENSES	73,361	972,829	924,329	(48,500)	1,008,359	35,530	96.48%
OTHER OPERATING EXPENSES	516,269	5,628,169	5,853,290	225,121	6,566,450	938,281	85.71%
SUBTOTAL OPERATING EXPENSES	<u>1,281,432</u>	<u>13,455,519</u>	<u>14,493,987</u>	<u>1,038,467</u>	<u>15,992,665</u>	<u>2,537,146</u>	<u>84.14%</u>
NON-OPERATING EXPENSES	34,855	156,698	412,683	255,985	450,200	293,502	34.81%
SUBTOTAL OPERATING & NON- OPERATING EXPENSES	<u>1,316,287</u>	<u>13,612,218</u>	<u>14,906,670</u>	<u>1,294,452</u>	<u>16,442,865</u>	<u>2,830,648</u>	<u>82.78%</u>
EXPENSED ASSETS	6,825	106,553	68,906	(37,647)	75,170	(31,383)	141.75%
NON-CASH ITEMS	84,931	1,244,105	1,385,090	140,985	1,516,417	272,312	82.04%
TOTAL EXPENSES	<u>1,408,042</u>	<u>14,962,875</u>	<u>16,360,666</u>	<u>1,397,790</u>	<u>18,034,452</u>	<u>3,071,577</u>	<u>82.97%</u>
NET REVENUES	<u>717,880</u>	<u>6,205,288</u>	<u>4,369,135</u>	<u>(1,836,153)</u>	<u>4,801,116</u>	<u>(1,404,172)</u>	<u>129.25%</u>
PURCHASED SERVICING & CAPITAL OUTLAY							
PURCHASED SERVICING RIGHTS	375,656	4,066,930	4,126,238	59,308	4,501,350	434,420	90.35%
CAPITALIZED ASSETS	-	125,412	81,031	(44,381)	88,397	(37,015)	141.87%
TOTAL PURCHASED SERVICING & CAPITAL OUTLAY	<u>375,656</u>	<u>4,192,342</u>	<u>4,207,268</u>	<u>14,926</u>	<u>4,589,747</u>	<u>397,405</u>	<u>91.34%</u>
TOTAL INCLUDING CAPITALIZED ITEMS	<u>342,224</u>	<u>2,012,947</u>	<u>161,867</u>	<u>(1,851,079)</u>	<u>211,369</u>	<u>(1,801,578)</u>	<u>952.34%</u>

7%



September 11 – October 8, 2019

ADVERTISING

Billboards August-September

Roswell/Artesia	US 70, inbound Roswell to Ruidoso
Gallup	I-40, between Gallup exits
Alamogordo	US 54, inbound to Alamogordo
Carlsbad	US 285, to Artesia/Lakes
Silver City	US 180 west
Clovis	US 70 north

MEDIA COVERAGE

9-28	Albuquerque Journal	<i>Czar announces retirement from MFA</i>
9-30	Albuquerque Business First	<i>Longtime business, city leader announces retirement</i>

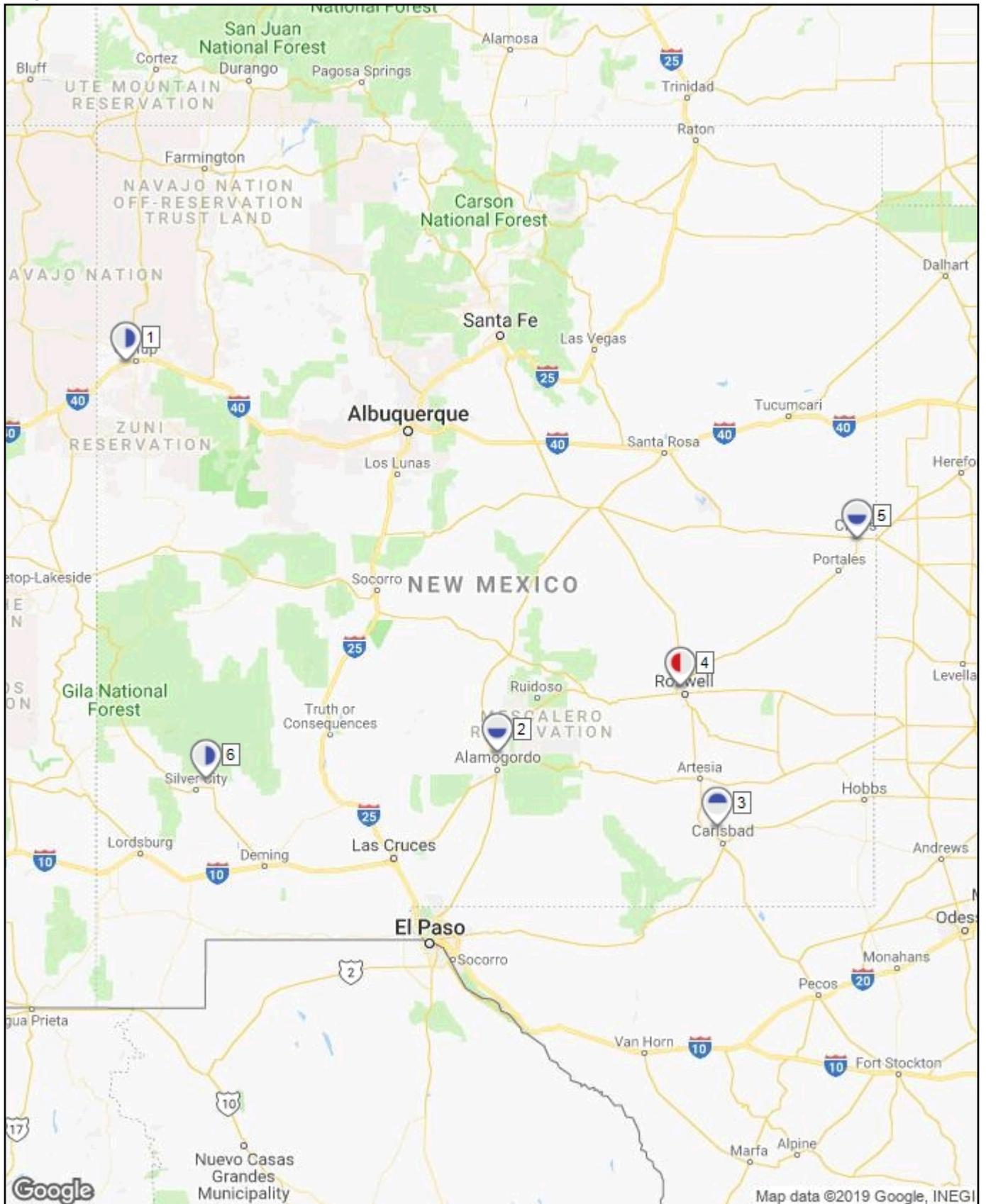
PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

9-19	Press release	<i>MFA Board Chair Announces Jay Czar's Retirement</i>
9-13	Lender Memo 19-21	<i>HOMENow Funds Allocation as of Sept. 6, 2019</i>
9-26	Lender Memo 19-22	<i>Training announcement: HFA Preferred Conventional program will be available Oct. 2019</i>
10-7	Lender Memo 19-24	<i>Updated Idaho Housing and Finance Association Mortgagee Clause</i>



POP NM Mortgage Finance Authority

Map #1





POP NM Mortgage Finance Authority

Map Icon	Label	Panel#	TAB ID	Media/Style	Facing	H x W	*Weekly Impressions	Illum.
	1	4011	139854	Permanent Bulletin / Regular	West	10' 0" x 40' 0"	64529	NO
Location: I 40 S/L.88EMP016 MP 016.88 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	2	8491	140504	Permanent Bulletin / Regular	North	10' 0" x 40' 0"	41647	NO
Location: US 54 W/L.91SMP071 MP70.09 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	3	10901	138473	Permanent Bulletin / Regular	South	10' 0" x 40' 0"	11798	NO
Location: US 285 E/L .38 NMP038 MP38.38 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	4	21032	7403939	Poster / Retro	East	10' 6" x 22' 9"	30220	YES
Location: US 70 2500 WEST SECOND MP329.95 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	5	10162	138411	Permanent Bulletin / Regular	North	10' 0" x 40' 0"	27972	NO
Location: US 70 S/L .50 E MP 439 MP 438.50 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	6	20881	138906	Permanent Bulletin / Regular	West	10' 0" x 40' 0"	59198	YES
Location: US 180 SILVER CITY S/L.25 EMP117 #117.25 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
Total Weekly Impressions: 235364								



Location # 1



Advertising Strengths: Between Gallup exits

Market: GALLUP
Panel: 4011

TAB Unique ID: 139854
Location: I 40 S/L.88EMP016 MP 016.88
Lat/Long: 35.5108/-108.8245
Media/Style: Permanent Bulletin/Regular
***Weekly Impressions:** 64529
Panel Size: 10' 0" x 40' 0" [Spec Sheet](#)
Vinyl Size: 11' 0" x 41' 0"
Facing/Read: West/Right
Illuminated: NO
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/EI Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106



Location # 2



Advertising Strengths: Inbound Alamogordo

Market: ALAMOGORDO
Panel: 8491

TAB Unique ID: 140504
Location: US 54 W/L.91SMP071 MP70.09
Lat/Long: 32.9509/-105.9709
Media/Style: Permanent Bulletin/Regular
***Weekly Impressions:** 41647
Panel Size: 10' 0" x 40' 0" [Spec Sheet](#)
Vinyl Size: 11' 0" x 41' 0"
Facing/Read: North/Right
Illuminated: NO
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/El Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
 Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106



Location # 3



Advertising Strengths: To Artesia/Lakes

Market: CARLSBAD
Panel: 10901

TAB Unique ID: 138473
Location: US 285 E/L .38 NMP038 MP38.38
Lat/Long: 32.4678/-104.2758
Media/Style: Permanent Bulletin/Regular
***Weekly Impressions:** 11798
Panel Size: 10' 0" x 40' 0" [Spec Sheet](#)
Vinyl Size: 11' 0" x 41' 0"
Facing/Read: South/Right
Illuminated: NO
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/El Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
 Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106



Location # 4



Advertising Strengths: Inbound Roswell to Ruidoso traffic

Market: ROSWELL/ARTESIA
Panel: 21032

TAB Unique ID: 7403939
Location: US 70 2500 WEST SECOND MP329.95
Lat/Long: 33.3939/-104.5579
Media/Style: Poster/Retro
***Weekly Impressions:** 30220
Panel Size: 10' 6" x 22' 9" [Spec Sheet](#)
Vinyl Size: 10' 6.5" x 22' 9.5"
Facing/Read: East/Left
Illuminated: YES
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/EI Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
 Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106



Location # 5



Advertising Strengths: Inbound Portales, between Clovis and Portales

Market: CLOVIS/PORTALES
Panel: 10162

TAB Unique ID: 138411
Location: US 70 S/L .50 E MP 439 MP 438.50
Lat/Long: 34.3593/-103.1963
Media/Style: Permanent Bulletin/Regular
***Weekly Impressions:** 27972
Panel Size: 10' 0" x 40' 0" [Spec Sheet](#)
Vinyl Size: 11' 0" x 41' 0"
Facing/Read: North/Left
Illuminated: NO
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/EI Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
 Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106



Location # 6



Advertising Strengths: Outbound Silver City towards Deming

Market: SILVER CITY
Panel: 20881

TAB Unique ID: 138906
Location: US 180 SILVER CITY S/L.25 EMP117 #117.25
Lat/Long: 32.7830/-108.2087
Media/Style: Permanent Bulletin/Regular
***Weekly Impressions:** 59198
Panel Size: 10' 0" x 40' 0" [Spec Sheet](#)
Vinyl Size: 11' 0" x 41' 0"
Facing/Read: West/Right
Illuminated: YES
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/El Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106

Title: **Czar announces retirement from MFA**
Author:
Size: 7.13 column inches
Albuquerque, NM Circulation: 102148



Czar announces retirement from MFA

The board chair of the New Mexico Mortgage Finance Authority recently announced that Jay Czar will retire from his position as executive director after 13 years.

Before joining MFA, Czar had a distinguished 27-year career with the City of Albuquerque, which culminated in being named to the city's top position of Chief Administrative Officer.

"Jay has provided outstanding leadership to MFA," said MFA Board Chair Angel Reyes. "He was a steady hand throughout the housing recession and helped the organization emerge as an even stronger entity."

Czar held several senior positions with the City of Albuquerque, Lovelace Health Systems, and was on the boards of Balloon Fiesta and New Mexico Mutual.

FOR THE EXCLUSIVE USE OF LHOLT@HOUSINGNM.ORG

From the Albuquerque Business First:

<https://www.bizjournals.com/albuquerque/news/2019/09/30/longtime-business-city-leader-announces-retirement.html>

Longtime business, city leader announces retirement

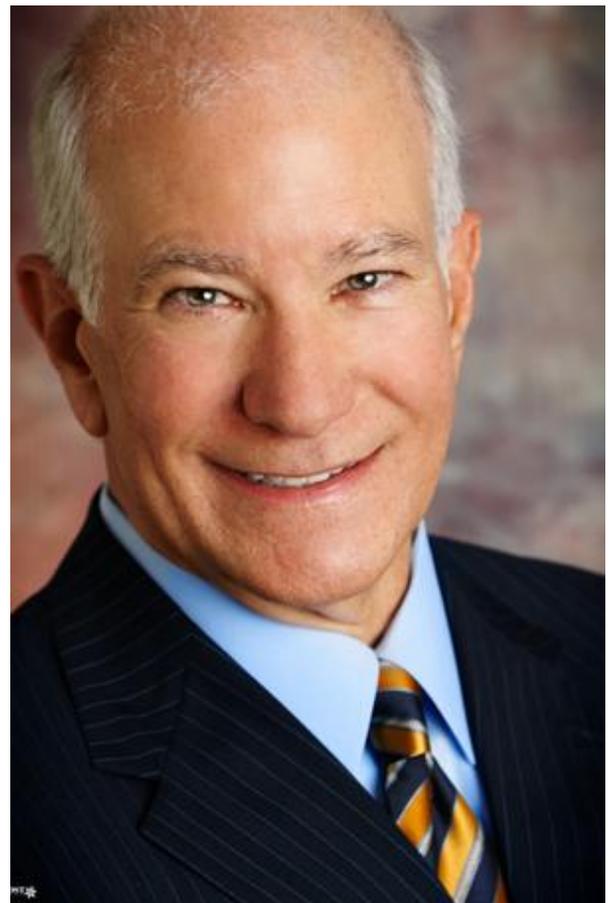
Sep 30, 2019, 6:58am MDT

Jay Czar is set to retire as executive director of the New Mexico Mortgage Finance Authority.

Czar spent 13 years with the organization after 27 years with the city of Albuquerque across several positions, which include director of aviation and chief administrative officer.

MFA Board Chair Angel Reyes will lead the search for Czar's replacement, which is expected to be decided and announced by the end of the year, according to a news release.

“Jay has provided outstanding leadership to MFA,” Reyes said in a statement. “He was a steadying hand throughout the housing recession and helped the organization emerge as an even stronger entity. MFA now provides affordable housing to almost 18,000 New Mexicans every year, which is largely due to the vision and direction Jay has provided over the last 13 years.”



Jay Czar will retire from his post of executive director of the New Mexico Mortgage Finance Authority.

Business First reported on Czar retiring from city government in 2004.

Before joining MFA, Czar was the vice president of marketing and governmental affairs for Lovelace Health System. Czar is a past president of the Albuquerque International Balloon Fiesta and a member of its board of directors. Business First reported on Czar's involvement in the acquisition and creation of Balloon Fiesta Park.

Czar also is the current chairman of the New Mexico Mutual board of directors.

MFA ended its fiscal year 2018 with nearly \$2.2 billion in total assets — an increase of more than 3 percent from 2017 — according to its latest audit. The organization said it is responsible for 30 affordable housing-related programs that include affordable housing construction, down payment assistance, homelessness prevention and assistance, housing rehabilitation and energy efficiency upgrades, according to a release.

MFA lent \$196.6 million in 2015, a 53 percent increase from the \$128.6 million in loans in 2014, according to previous Business First reporting.

Business First reported on Nuevo Atrisco breaking ground in April on Albuquerque's Westside, of which MFA is a partner. YES Housing applied for and was awarded over \$10 million for loan income housing tax credits to build the residential component of the project, Czar told Business First.

Ron Davis

Reporter

Albuquerque Business First



New Mexico Mortgage Finance Authority

FOR IMMEDIATE RELEASE
September 19, 2019

CONTACT: Leann Kemp
w: 505 767-2254 c: 505-235-1994
lkemp@housingnm.org

MFA BOARD CHAIR ANNOUNCES JAY CZAR'S RETIREMENT

Czar Ends a Public Service Career that Spanned 45 Years

ALBUQUERQUE: The board chair of the New Mexico Mortgage Finance Authority (MFA) announced today that Jay Czar will retire from his position as executive director after 13 years with the organization. Before joining MFA, Czar had a distinguished 27-year career with the City of Albuquerque, which culminated in being named to the city's top position of Chief Administrative Officer.

"Jay has provided outstanding leadership to MFA," said MFA Board Chair Angel Reyes. "He was a steadying hand throughout the housing recession and helped the organization emerge as an even stronger entity. MFA now provides affordable housing to almost 18,000 New Mexicans every year, which is largely due to the vision and direction Jay has provided over the last 13 years."

Czar held several senior positions with the City of Albuquerque, including four years as the Director of Aviation. Between his tenures at the city and MFA, Czar was the vice president of marketing and governmental affairs for Lovelace Health Systems. He is a past-president and member of the Albuquerque International Balloon Fiesta Board of Directors. Czar is also the current chair of the New Mexico Mutual Board of Directors. He has served on and chaired numerous boards throughout his career.

MFA is a quasi-governmental entity created in 1975 to provide financing for housing and other related services for low- and moderate-income New Mexicans. The organization manages \$4.2 billion in assets and more than \$530 million in annual production. MFA is responsible for 30 affordable housing-related programs that include affordable housing construction, down payment assistance, homelessness prevention and assistance, housing rehabilitation and energy efficiency upgrades. It is self-supporting and receives no operational money from the State of New Mexico.

Reyes will lead the search for Czar's replacement. The organization expects to name a new executive director by the end of the year. For more information, go to housingnm.org.

###



TO: Participating Lenders

FROM: Rene Acuna, Director of Homeownership

DATE: September 13, 2019

RE: Memo No. 19-21

- **HOMENow Funds Allocation as of September 6, 2019**

PLEASE FORWARD THIS MEMORANDUM TO THE APPROPRIATE PERSONNEL WITHIN YOUR ORGANIZATION.

We would like to begin by thanking you for supporting MFA's HOMENow Program. We are informing you that MFA has committed all but roughly \$500,000 (*includes funded and un-funded loan commitments*) of the federal grant funds received for this program.

How does this impact you?

- You will only be able to reserve a HOMENow loan if adequate funds are available. Please be aware that funds can become available at any point, if a loan is canceled or if a borrower is ineligible for any reason.
- Keep in mind that funds are allocated on first come first served basis. Double check if funds are available prior to requesting a program change.

- If your loan origination requires the *HOMENow* funds, reserve the *FIRSTHome* and *HOMENow* simultaneously.
 - If you're unable to make a simultaneous reservation it is likely the *HOMENow* funds may not be available. We encourage you to periodically log into the Internet Loan Reservation System (ILRS) or contact a Homeownership Representative to see if any funds have become available. Please note that you must have a pending *FIRSTHome* reservation in order to obtain the current availability of *HOMENow* funds.

MFA continues to seek out funds and programs such as the one used to capitalize the *HOMENow* Program. With your support, *HOMENow* has provided down payment assistance to 450 plus families over the last 12 months. Thank you for supporting MFA's programs.

TO: Participating Lenders

FROM: Rene Acuna, Director of Homeownership

DATE: September 13, 2019

RE: Memo No. 19-21

- ***HOMENow* Funds Allocation as of September 6, 2019**

PLEASE FORWARD THIS MEMORANDUM TO THE APPROPRIATE PERSONNEL WITHIN YOUR ORGANIZATION.

We would like to begin by thanking you for supporting MFA's *HOMENow* Program. We are informing you that MFA has committed all but roughly \$500,000 (*includes funded and un-funded loan commitments*) of the federal grant funds received for this program.

How does this impact you?

- You will only be able to reserve a *HOMENow* loan if adequate funds are available. Please be aware that funds can become available at any point, if a loan is canceled or if a borrower is ineligible for any reason.
- Keep in mind that funds are allocated on first come first served basis. Double check if funds are available prior to requesting a program change.
- Please attempt to reserve the *HOMENow* at the time of completing a *FIRSTHome* reservation.
 - If you're unable to reserve using *HOMENow* at the time of completing the *FIRSTHome* reservation, it is likely there are no funds available. We encourage you to periodically log into the Internet Loan Reservation System (ILRS) or contact a Homeownership representative to see if any funds have become available. Please note that you must have a pending *FIRSTHome* reservation in order to obtain the current availability of *HOMENow* funds.

MFA continues to seek out funds and programs such as the one used to capitalize the *HomeNow* Program. With your support, *HomeNow* has provided down payment assistance to 450 plus families over the last 12 months. Thank you for supporting MFA's programs.

Copyright © 2019 MFA, All rights reserved.

You are receiving this email because of your association with MFA.

Our mailing address is:

MFA
344 4th St SW, Albuquerque, NM, United States
Albuquerque, NM 87102

[Add us to your address book](#)

[unsubscribe from this list](#) [update subscription preferences](#)



MEMORANDUM

TO: Participating Lenders
FROM: Rene Acuna, Director of Homeownership
DATE: September 26, 2019
RE: Memo No. 19-22

- **Training announcement: HFA Preferred conventional program will be available October 1, 2019: New reservation procedures in effect.**

As was previously announced in Lender memo 19-17, issued July 23, 2019, MFA implemented a temporary suspension of the HFA Preferred conventional loan program.

This suspension period, which began August 19, was to allow MFA the time needed to make programming updates to the reservation system in order to facilitate the pricing changes mandated by Fannie Mae.

We are pleased to announce that the system updates are complete. The HFA Preferred conventional program will be available for reservation beginning October 1, 2019 at 9:00 a.m. MDT.

The reservation procedure for conventional loans has changed. All originators and processors are strongly encouraged to attend this training.

Copyright © 2019 MFA, All rights reserved.

You are receiving this e-mail because you have a loan with MFA.

Our mailing address is:

MFA

344 4th St SW, Albuquerque, NM, United States

Albuquerque, NM 87102

[Add us to your address book](#)

[unsubscribe from this list](#) [update subscription preferences](#)



MEMORANDUM

TO: Participating Lenders
FROM: MFA Homeownership Department
DATE: October 7, 2019
RE: Memo No. 19-24

- **Updated Idaho Housing and Finance Association Mortgagee Clause**

MFA received notification that Idaho Housing and Finance Association's Servicing Division, HomeLoanServ, changed their mortgagee clause to the following. The HomeLoanServ mortgagee clause only effects the first mortgage loan documents.

HomeLoanServ, ISAOA/ATIMA
P.O. Box 818007
Cleveland, Ohio 44181
Fax: 888-218-9257
E-mail: insdocs8263@oscis.com

Please note that the MFA mortgagee clause regarding the second mortgages has not changed.

New Mexico Mortgage Finance Authority, ISAOA/ATIMA
344 4th Street SW
Albuquerque, New Mexico 87102
Phone: 505-843-6880

MFA would like to thank you for your patience and for participating in our

programs.

Please feel free to contact MFA's Homeownership Department with any questions or for further clarification.

Thank you for participating in MFA's single-family program.

Copyright © 2019 MFA, All rights reserved.

You are receiving this email because of your association with MFA.

Our mailing address is:

MFA

344 4th St SW, Albuquerque, NM, United States

Albuquerque, NM 87102

[Add us to your address book](#)

[unsubscribe from this list](#) [update subscription preferences](#)



MEMORANDUM

TO: Participating Lenders
FROM: MFA Homeownership Department
DATE: October 7, 2019
RE: Memo No. 19-24

- **Updated Idaho Housing and Finance Association Mortgagee Clause**

MFA received notification that Idaho Housing and Finance Association's, Servicing Division HomeLoanServ, changed their mortgagee clause to the following. The HomeLoanServ mortgagee clause only effects the first mortgage loan documents.

HomeLoanServ, ISAOA/ATIMA
P.O. Box 818007
Cleveland, Ohio 44181
Fax: 888-218-9257
E-mail: insdocs8263@oscis.com

Please note that the MFA mortgagee clause regarding the second mortgages has not changed.

New Mexico Mortgage Finance Authority, ISAOA/ATIMA
344 4th Street SW
Albuquerque, New Mexico 87102
Phone: 505-843-6880

MFA would like to thank you for your patience and for participating in our programs.

Please feel free to contact MFA's Homeownership Department with any questions or for further clarification.

Thank you for participating in MFA's single-family program.