FINANCING TRENDS AMONG HFAS

HOUSING NEW MEXICO | MFA

CSG ADVISORS | WBE CERTIFIED

July 13, 2026

HFA Trends and Challenges

1. **Continued high mortgage loan rates are challenging but have moderated**

   FHA First Home loan rates:
   - 3 years ago: 6.00%
   - 2 years ago: 5.75%
   - Recent rate: 5.875%

2. **Asset growth will provide ample future revenue streams**
   - Strengthens Housing New Mexico's future financial position
   - On the negative side, higher costs of issuance and more assets dampens net position ratios (equity as a % of bonds)

3. **Increased FHA loan delinquencies requires more liquidity from HFA servicers**

4. **Private activity volume cap remains in high demand**
   - In 2026, New Mexico is limited to $397 million in volume cap
   - Primary use of cap is funding single family loans with tax-exempt bonds
     - HNM utilizes techniques to preserve its use of volume cap
   - Multifamily bond activity remains high (though less tax-exempt bonds needed given tax changes)

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Resources for Funding Loans

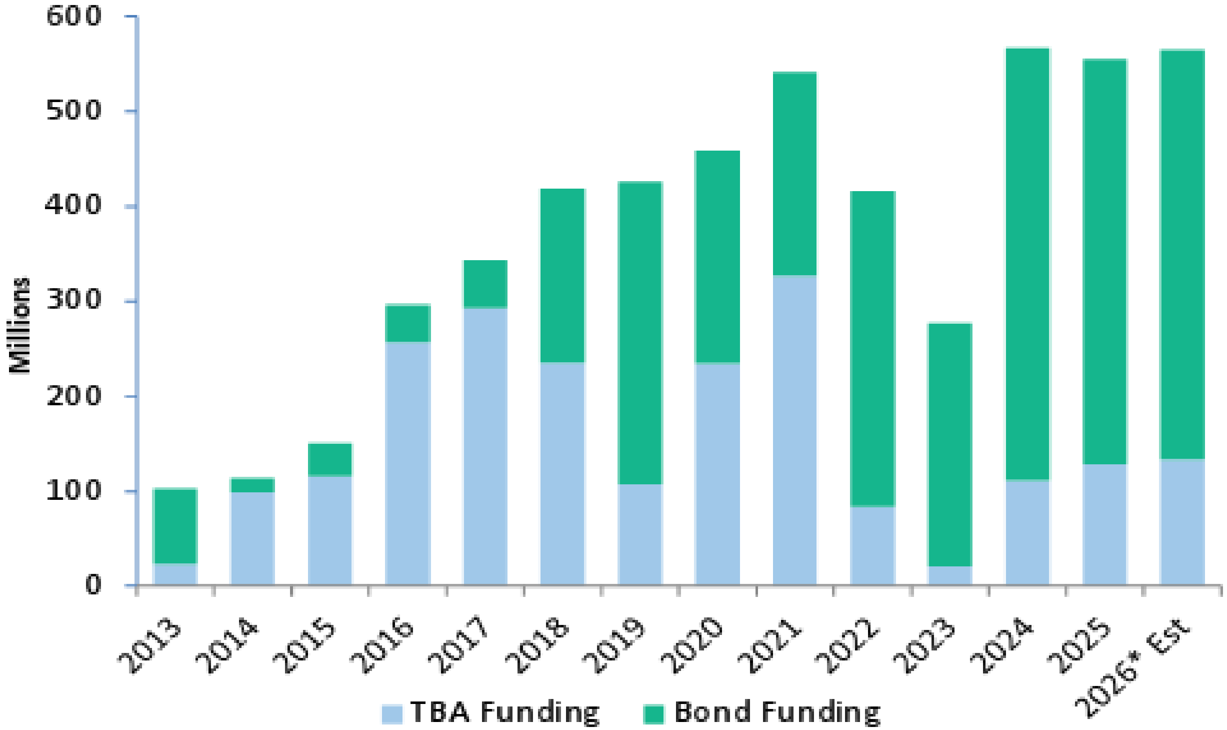
1. **Issuing tax-exempt bonds**
   - Historically provides a lower cost of funds to HFAs
   - Investors bid aggressively for Housing New Mexico bonds; excellent reputation, redemption management

2. **Packaging loans into MBS and selling the loans**
   - Selling MBS via the To-Be Announced (TBA) market through 3rd party administrator
   - Investors pay more for Housing New Mexico loans than generic loans, allowing for better loan terms than it

3. **Downpayment assistance (DPA) to eligible borrowers using its Housing Opportunity Fund (HOF)**
   - Funds for downpayment is often the biggest obstacle for first-time homebuyers
   - Using HOF funds, Housing New Mexico has funded approximately $90 million of DPA second mortgages the last 7 years

Production Growth and Shifts

- **FY13 – FY21:** Stable increase in annual production
- **FY22 - FY23:** Production declined due to rising home prices and interest rates
- **FY24 - FY26:** Production rebounded given interest rate benefit, and the need for down-payment assistance

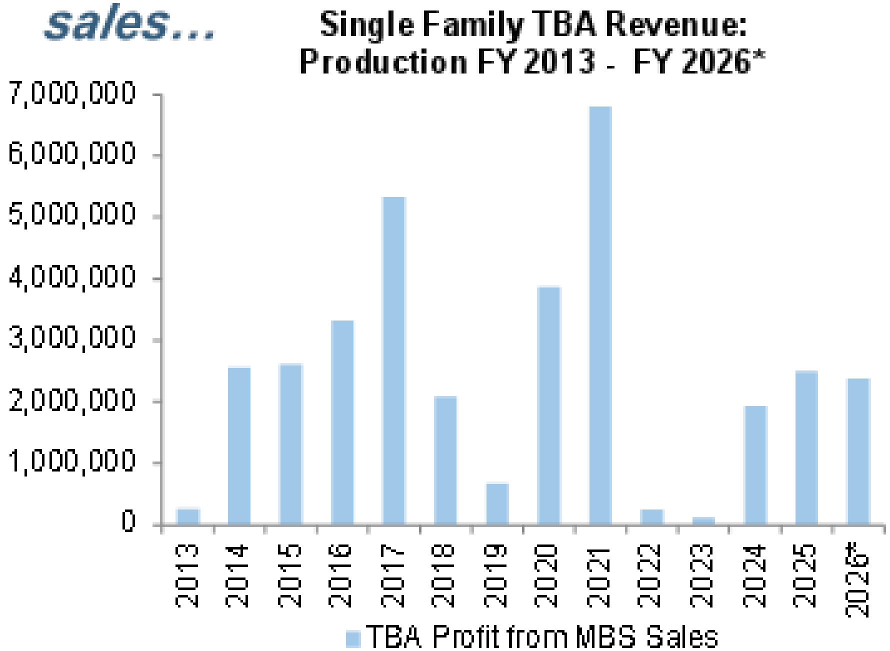


* Based on MBS settled or purchased each fiscal year.

** FY2026 YTD actual production is shown through June 2026, and projected production is shown for subseq

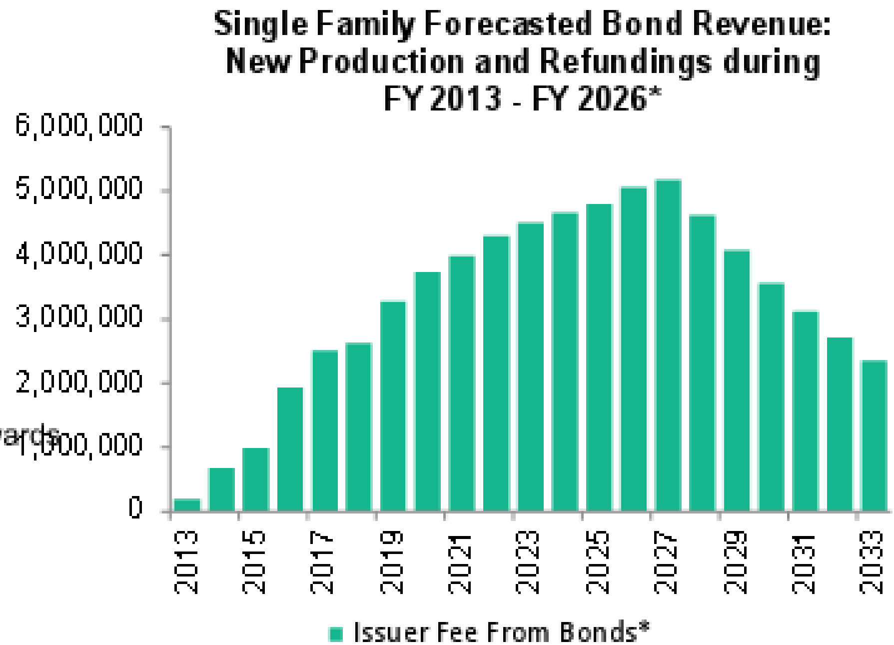
Healthy Mix of Revenue Streams

Housing New Mexico has generated both immediate revenue from TBA sales…



* Based on actual loan production through May 2026 and projected production for subsequent months. FY 2024 & onwards data reflects new profitability methodology.

…as well as long-term revenue streams from bonds.



* Issuer fee run at 150% PSA

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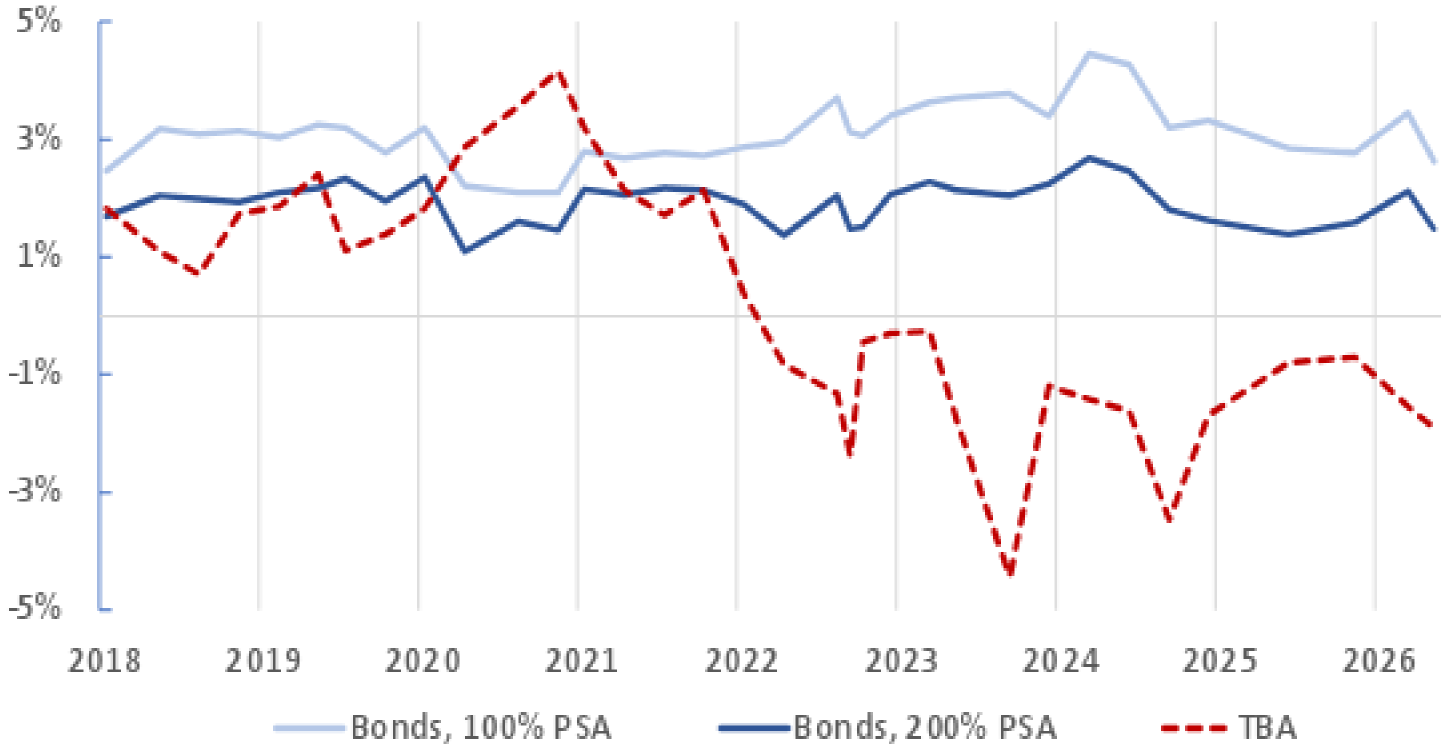
Actively Monitoring Interest Rates is Crucial

CSG and Housing New Mexico Actively Monitor and Review:

- Market and peer HFA mortgage rates on a daily basis
- Municipal bond market rates and borrowing costs of various financing options
- TBA Sale Market MBS prices daily
- Programmatic goals including attractive rates and downpayment assistance to New Mexicans

Funding Loans with Bonds versus TBA Sales

Historical Net Present Value of Bonds and TBA Sales



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Rating Agencies' Perspective

Moody's affirmed Housing New Mexico's Issuer Credit Rating in Dec 2024 as "Aa3" / Stable

Strengths noted by Moody's included:

- Solid operating margins
- Very strong balance sheet
- High quality of HNM's asset portfolio
- Conservative risk position
- Solid management team

In 2025, Moody's downgraded the US sovereign rating from "Aaa" to "Aa1", trigge a downgrade of the Single Family indenture

- The indenture remains highly rated at "Aa

Current Ratings		
	S&P	Moody's
Issuer Credit Rating	--	Aa3
2005 Indenture	--	Aa1*
2009 Indenture	AA+	--

* Bonds beginning 2015A and after.

Rating Definitions		
Moody's	**S&P**	**Fitch**
Aaa	AAA	AAA
Aa	AA	AA
A	A	A
Baa	BBB	BBB
Ba	BB	BB
B	B	B
C	D	D
1,2,3	+/-	+/-

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Challenges and Opportunities

Challenges:

- Affordable housing supply
- Costs to develop new units and affordable homes remains high
- Inflation and interest rate environment remains volatile
- Private activity volume cap is in high demand
- Evolving regulatory environment

Opportunities:

- Continued growth as leader in New Mexico mortgage market
- Ability to offer competitive loan rates by issuing bonds
- Well positioned financially to continue its mission