



# **New Mexico Mortgage Finance Authority (MFA) FY2017-2018 Budget Overview**

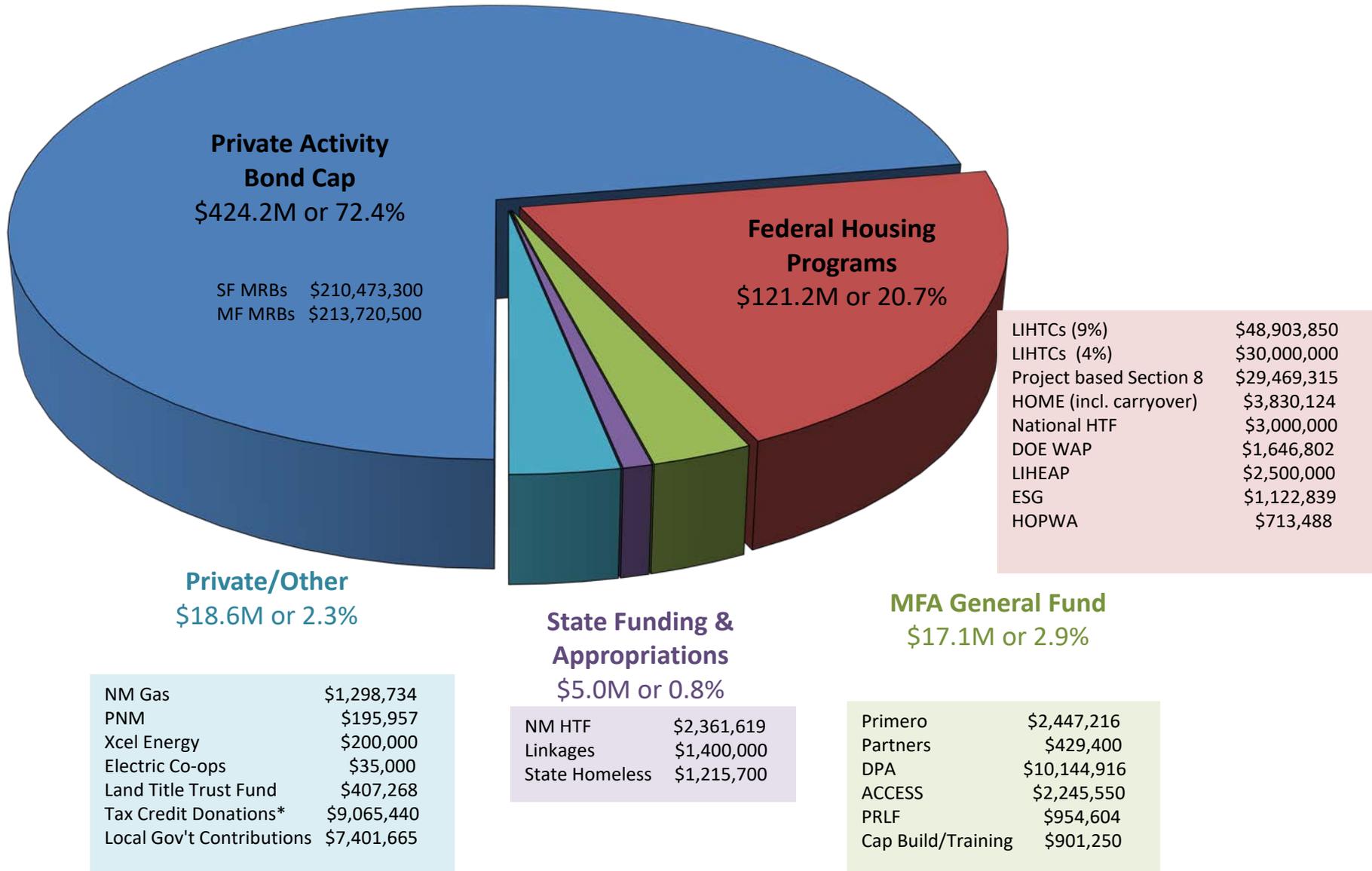
Gina Hickman, Deputy Director Finance & Administration

**Legislative Oversight Committee  
November 6, 2017**

# MFA Estimated Funding Sources - 2017



Estimated Total: \$586.1 Million



\*The New Mexico Affordable Housing Tax Credit incentivizes up to \$9 million in private donations for affordable housing.

# Production & Financial Highlights

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

## 2008 COLLAPSE OF ECONOMY & HOUSING:

- Recession (-2012) *Revenue, Production/Assets Managed, Expense*
- Federal Fiscal Policy holding mortgage and investment interest rates at historical lows (-2017) *Revenue, Production/Assets Managed*
- Housing/Subprime Mortgage Crisis-housing market still showing instability (-2014) *Expense, Production/Assets Managed, Revenue*
- HERA Neighborhood Stabilization Program (-2014) *Revenue, Production/Assets Managed*

## 2009 FEDERAL STIMULUS:

- ARRA Funds for Weatherization Assistance Program, Tax Credit Assistance Program, Tax Credit Exchange Program, Homelessness Prevention & Rapid Rehousing Program (-2012) *Production/Assets Managed, Revenue*
- Tax Credit Loan Program *Production/Assets Managed, Revenue*
- New Issuance Bond Program (-2011) *Production/Assets Managed, Revenue*

## 2010 HISTORICAL LOW MORTGAGE RATES:

- High Single Family Prepayment Activity (-2013) *Assets Managed, Revenue*
- Historical low mortgage rates (2010-2017) *Production/Assets Managed, Revenue*

## IMPACT LEGEND:

*Red : Negative Impact*

*Green: Positive Impact*

## 2011 INNOVATION & NEW RESOURCES:

- Wells Fargo & USDA-Rural Development loan funding for Housing Opportunity Fund *Production/Assets Managed, Revenue*

## 2012 FEDERAL BUDGET REDUCTIONS:

- High Multi-family loan payoffs *Assets Managed, Revenue*
- HUD HOME funding reductions (-2014) *Production/Assets Managed, Revenue*
- DOE Weatherization Assistance Program funding reductions (-2013) *Production/Assets Managed, Revenue*
- Increase in rental demand (-2016) *Production/Assets Managed, Revenue*
- HUD Section 8 Project Based Contract Administration (PBCA) program scope changes (-2017) *Revenue, Expenses*

## 2013 INNOVATION & NEW RESOURCES :

- To Be Announced (TBA) Single Family Loan Execution (-2017) *Production, Revenue*

## 2014 INNOVATION & NEW RESOURCES:

- Decrease in Single Family Prepayment Activity (-2017) *Revenue, Assets Managed*
- Ventana Fund Contribution (-2017) *Expense, Production for NM*
- Small Business Investment Council loan funding for Housing Opportunity Fund (-2017) *Production/Assets Managed, Revenue*

## 2015 STABILIZED HOUSING MARKET & ECONOMY

- Increase in Single Family Mortgage Production (-2017) *Revenue, Production/Assets Managed*
- 40th Anniversary Celebration

## 2016 PROGRAM EXPANSION:

- HUD Section 8 PBCA Management Occupancy Reviews reinstated (-2017) *Revenue, Expenses*
- Servicing Expansion implemented- Milestone 1 *Revenue, Expenses Assets Managed*
- National Housing Trust Fund Program (-2017) *Revenue, Expenses Production/Assets Managed*
- Increase in Qualified Contracts (-2017) *Revenue, Expenses, Assets Managed*

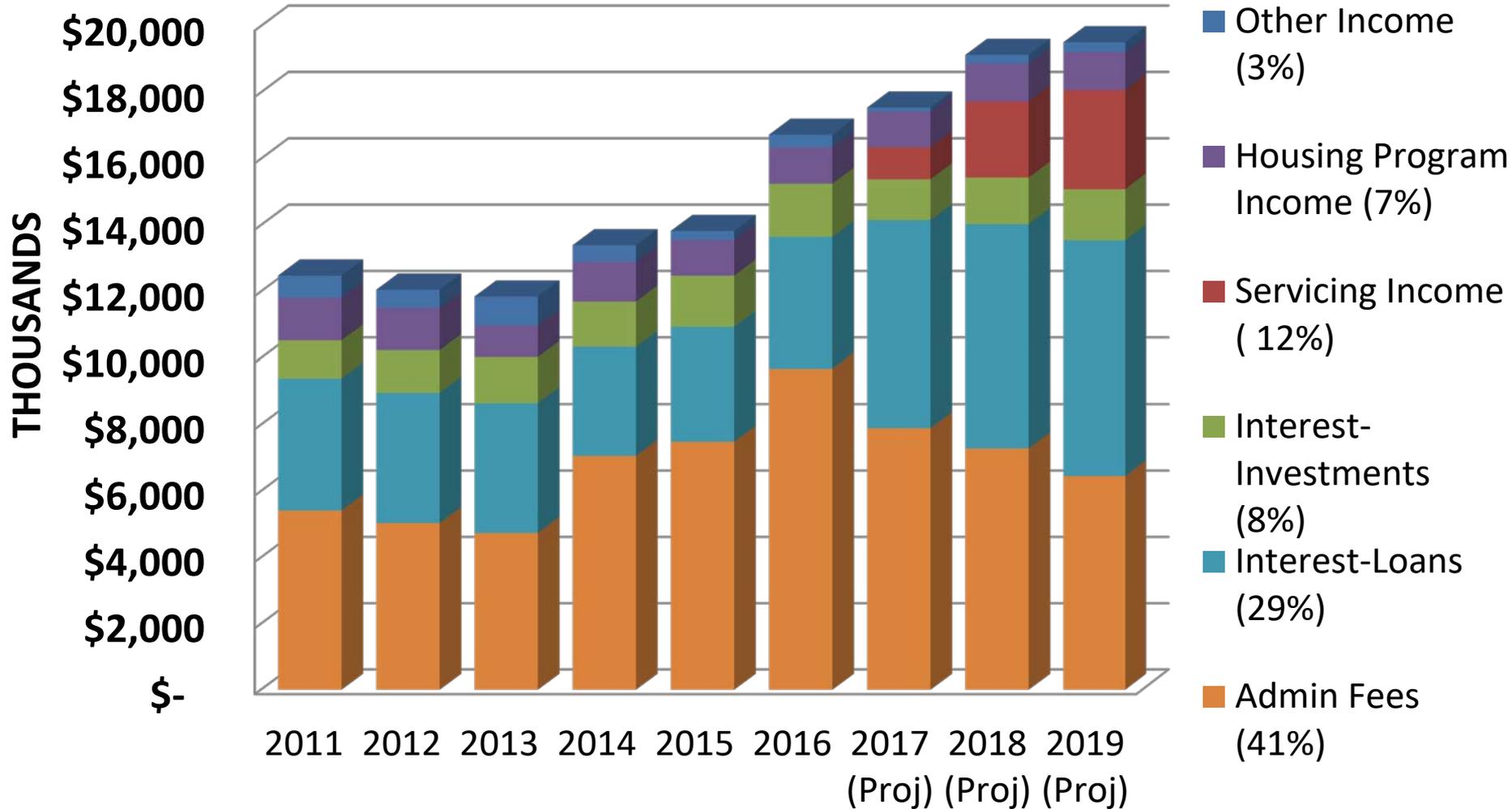
## 2017 MANAGING GROWTH & OPPORTUNITY:

- Record year in Single Family Mortgage Production *Revenue, Production/Assets Managed*
- First full year of Servicing Expansion implementation *Revenue, Expenses, Assets Managed*
- Selected as SW Regional Lead for HUD PBCA Procurement
- Secured \$500k of CDBG funding *Revenue, Expenses, Assets Managed*

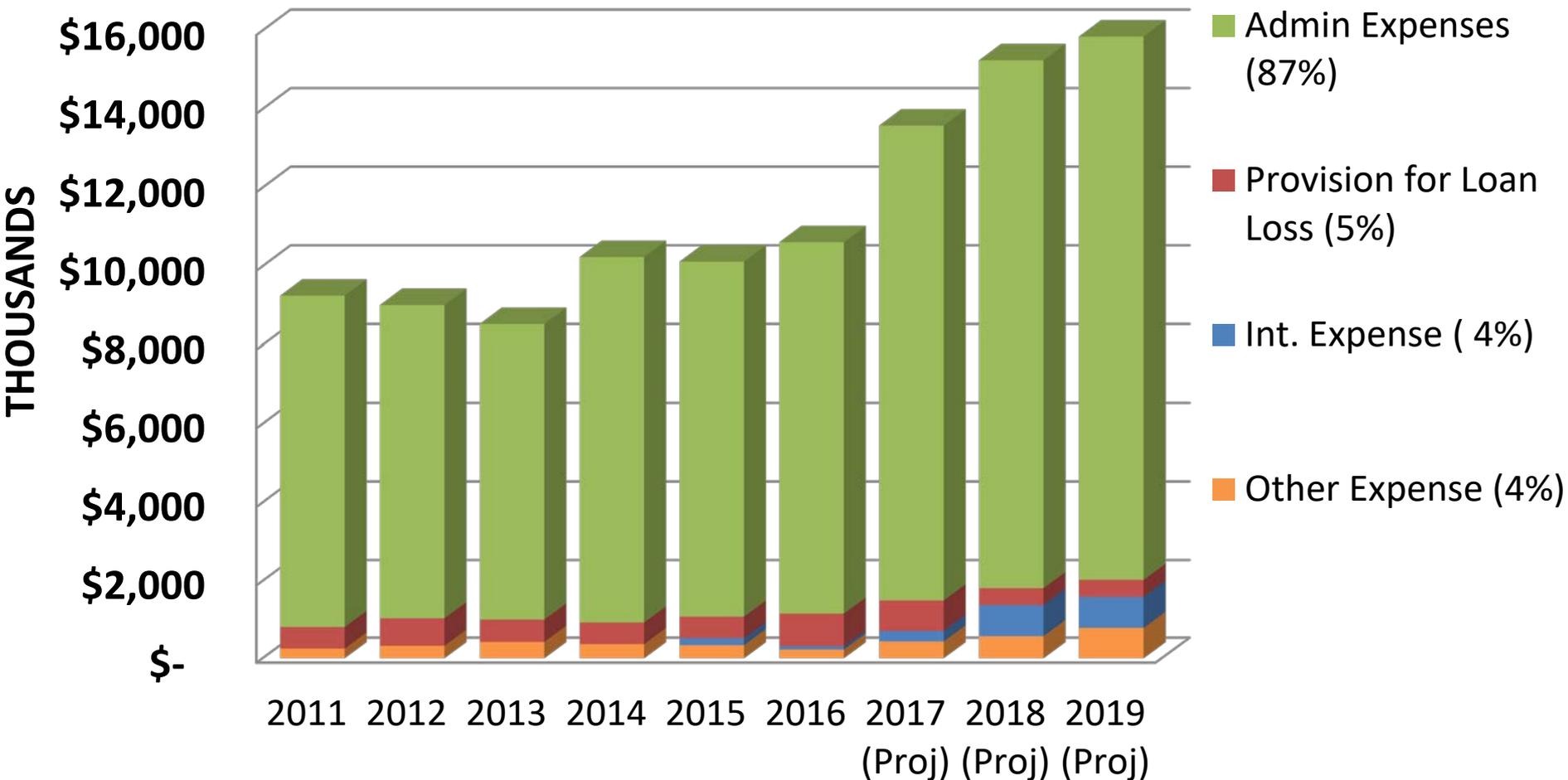
# Financial Data:

## General Fund Revenue Analysis

### 2011-2019 (Projected)



# Financial Data: General Fund Expenditure Summary 2011-2019 (Projected)



## Financial Data:

### Detailed Administrative Expense Breakout General Fund (FY18 Budget)

<u>Expenditure Category</u>	<u>% of Total Expenses</u>
• Compensation	41%
• Travel & Public Information	2%
• Office Expenses	5%
• Other Operating Expenses	26%
✓ Contractual Services and Direct Servicing	
• Non-Operating Expenses	5%
✓ Training & Technical Assistance, Program Development, Capacity Building	
• Capital and Servicing	17%
• Non-Cash	4%

# FY18 Operating Fund Budget Summary

MFA's FY18 General Operating Fund budget was approved by the MFA Board on September 20, 2017.

1. Revenue is projected at \$19.2 million , a decrease of (\$.8) million or (4%) under projected FY17 actual revenue and a decrease of (\$3.3) million or (15%) under prior year budget.
2. The expense budget is projected at \$15.0 million, an increase of \$1.3 million or 9% over FY17 projected actual expenditures and an increase of \$.6 million or 4% over prior year budget. The FY18 budgeted excess revenue over expenses before capital items is \$4.2 million.
3. The capital budget is \$2.9 million a decrease of (\$.4) million or (13%) under FY17 projected actual and a decrease of (\$.4) million or (12%) under prior year budget. The FY18 budgeted excess revenue over expenses after capital items is \$1.3 million.

# Summary of FY18 Significant Budget Variances from FY17

- Projected Decrease in Production Trends-Single Family Mortgage Program
  - ✓ Rev: Administrative fees reduced
  - ✓ Exp: Program/direct servicing related expenses reduced
  - ✓ Investment in purchased servicing rights reduced
- Mortgage Operations
  - ✓ Rev: Interest income on Loans increased
  - ✓ Exp: Interest expense increased
- 4.0 new FTE-Salary and Benefits
  - ✓ Homeownership Manager
  - ✓ (2) Homeownership Lending Specialists (1/4 of the year)
  - ✓ Housing Development Assistant Director
  - ✓ Database Programmer
  - ✓ Intern (50% FTE)
- 3% merit pay increase
- 15% increase in taxes, benefit and incentive compensation expenses
- Building updates, space assessment
- Technology Upgrades

# Why Reserves?

- MFA is a self-supporting entity.
- MFA does not receive any state funding for operations.

*In order to maintain financial strength, carry out the mission and protect the organization, MFA must appropriately manage resources and anticipate financial needs in both the short-term and long-term.*

# Management of Reserves

- Support operations; including cash levels for loan fundings, generation of interest income through investment in securities, purchase of mortgage servicing rights and loan warehousing
- Maintain issuer credit ratings
- Provide viability in uncertain revenue environments (market volatility, low investment rates, changing funding levels of federal programs)
- Cover unanticipated expenditures, potential loan losses, protection against legal claims and other contingent liabilities
- Carry costs associated with bond financed programs
- Ensure ability to meet long-term oversight and monitoring responsibilities of housing program assets
- Fund mission-driven affordable housing programs, including down payment assistance

# Adequacy of Reserve Levels

- Comply with current cash reserve policy
- Fund balance levels are not excessive
  - ✓ Meeting rating agency requirements
  - ✓ Supporting mission-driven activities and established programs that create revenue for the organization
  - ✓ Financial performance and creditworthiness comparable to peers
- Strong fiscal management and business planning practices

# New Mexico Mortgage Finance Authority

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Comments/Questions

