MFA | Housing New Mexico

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Top Ten MFA Myths…Debunked!

Myth . . .	. . . Debunked!
Myth #1: MFA develops/builds homes.	MFA does not develop and/or build homes. Like a bank, MFA provides financing to developers to build homes. Most of MFA's development financing is in the form of loans, but we also allocate tax credits and provide some grants.
Myth #2: MFA has lots of grant funding available.	MFA has very little grant funding available. Because MFA borrows most of its funding, it must make that funding available as loans, not grants. Additionally, MFA is often required to "recycle" certain sources of funding because they are limited. Recycling means that when the funds are repaid, the repayments are used to assist more people.
Myth #3: MFA is a state agency.	MFA is an "instrumentality of the state," but not a state agency. MFA is like a state agency in that it was created by the state legislature in 1975 and serves a public purpose. MFA's Board of Directors is a public body, and MFA receives state oversight through a Legislative Oversight Committee. But MFA is unlike a state agency in that it is self-supporting. It receives no state funding for operations, its liabilities are not the state's liabilities, its employees are not state employees, and MFA does not participate in PERA.
Myth #4: MFA issues mortgage revenue bonds. Aren't they risky? Does this pose a risk to the state's financial position?	MFA has historically taken a very conservative approach in structuring bond offerings. MFA has never entered into derivative or swap transactions or issued single family variable rate debt. MFA's current issuer credit rating is Aa3 Stable from Moody's Investor Service. MFA's single family bond issues, which are secured by collateral guaranteed by the federal government, carry either an AAA or AA+ rating, depending on the agency rating the bonds. *MFA has never had a non-origination call*. MFA bonds are very sound investments. Finally, because MFA is not a state agency, MFA's bond issues pose no risk to the state because they are not considered a liability of the state. The New Mexico State Constitution significantly restricts the state's ability (and that of counties and municipalities) to issue debt. This is why MFA was created "separate and apart from the state" as an instrumentality.
Myth #5: MFA gave our town the money for our fire station/ courthouse/community center.	MFA provides funding for housing and housing-related activities *only*. The similarly named *New Mexico Finance Authority* ("NMFA") provides financing for the community facilities, as well as other basic infrastructure and economic development projects. MFA and NMFA are completely separate organizations and provide financing for very different purposes.

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Myth #6: MFA oversees/regulates public housing authorities.	In 2007, several changes to New Mexico's Regional Housing Law were enacted and MFA was charged with oversight of the *regional* housing authorities. However, MFA does not have, nor has it ever had, an oversight relationship with the public housing authorities. The public housing authorities report to boards of directors and/or county or municipal governments, and HUD oversees their administration of public housing resources.
Myth #7: If you want to buy a home, just go to MFA and they'll give you a mortgage loan.	MFA does not lend directly to individual homebuyers, nor do all individuals qualify for MFA's mortgage loan products. MFA works with a large network of participating lenders throughout New Mexico that in turn work with individual homebuyers. MFA's mortgage and down payment assistance loans are available to first-time and step-up homebuyers if they meet income eligibility requirements and have reasonably good credit. In addition, prospective borrowers must successfully complete a pre-purchase homebuyer education course.
Myth #8: Borrowers who default on their loans put MFA at financial risk.	MFA is not at significant financial risk due to poor loan performance. When MFA purchases loans from participating lenders, they are securitized and the mortgage-backed securities are sold to the secondary market (either Ginnie Mae or Fannie Mae). The federal government then insures the mortgages so that even if the borrower defaults on his/her payments, MFA is held harmless and repayments continue to flow. In this way, MFA can in turn repay the bond holders who purchased the bonds that provided the financing for the mortgages. Also, MFA's delinquency and default rates are usually lower because MFA borrowers receive 30-year fixed rate loans and are required to complete pre-purchase homebuyer education courses.
Myth #9: My community could use some new homes/weatherization/ housing rehabilitation/a homeless shelter. MFA will make it happen.	This myth is related to Myth #1. While MFA provides the funds to do all of these things, MFA does not itself develop or build homes, homeless shelters or provide direct services. MFA works with many developers, local governments and service providers to carry out these activities in specific communities.
Myth #10: MFA is part of HUD.	The U.S. Department of Housing and Urban Development (HUD) is a federal agency that provides various financial resources for housing and community development. MFA administers HUD funding and contracts on behalf of the state. HUD is an important partner to MFA, but MFA is not part of HUD.