



2013 | ANNUAL  
REPORT

# BUILDING STABILITY

All of us at MFA are pleased to present you with our annual report for 2013 – Building Stability. MFA finances the construction of affordable homes and apartments, offers mortgage and down payment assistance for homebuyers, provides oversight for affordable housing communities and manages programs that help individuals transition out of homelessness and make their homes safer places to live.

MFA does many things, but we never lose sight of our first priority: the people of New Mexico. We know that for a family to thrive and grow, they must have the stability that comes through a safe affordable place to live. We are committed to providing every New Mexican the opportunity to have a quality home that they can afford – a secure place full of wonderful memories where families gather and neighbors know each other.

In this report, you'll read about people who have found housing stability through homeownership, supportive housing communities, housing rehabilitation and other MFA programs. You'll also find stories that illustrate how stable housing not only benefits families but also helps create stronger neighborhoods and communities.

Our promise is that, working side-by-side with our outstanding partners, we will continue to create quality affordable housing opportunities in New Mexico. We are MFA, and we are Housing New Mexico.

Sincerely,



Jay Czar  
Executive Director



Dennis Burt  
Chairman, Board of Directors

# “ Providing QUALITY AFFORDABLE housing opportunities ensures STABILITY for the families & communities of NEW MEXICO ”

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Dennis Burt (left), Chairman,  
MFA Board of Directors

Jay Czar (right), Executive Director,  
MFA

The New Mexico Mortgage Finance Authority (MFA) was created in 1975 by the New Mexico State Legislature to provide quality affordable housing opportunities for all New Mexico residents.

MFA uses housing bonds, tax credits and other federal and state resources to fund more than 30 housing programs. Programs include mortgage and down payment assistance for homebuyers, construction and rehabilitation of affordable for-sale and rental homes, homelessness prevention and emergency shelter, weatherization services, rental assistance and housing for people with special needs. MFA administers these programs through partnerships with public and private funders, developers, real estate agents, mortgage lenders, non-profit service providers and local governments.

## 2013 PRODUCTION HIGHLIGHTS

In **2013**  
MFA provided  
**\$222 MILLION**  
in low-interest financing  
and grants for  
affordable housing  
and related services  
throughout  
**New Mexico.**

### Assisting Homeowners and Renters



MFA provided  
**\$133,000,000**  
in loans to  
**1,075** homebuyers  
all of whom received  
pre-purchase counseling.

MFA provided  
**\$6,000,000**  
in down payment assistance  
loans and grants to  
**1,111** homeowners



MFA processed  
**\$27,000,000**  
in project-based Section 8 rental  
assistance payments for  
**5,297** apartments  
occupied by low-income households  
throughout New Mexico.

Helping Build Affordable Housing

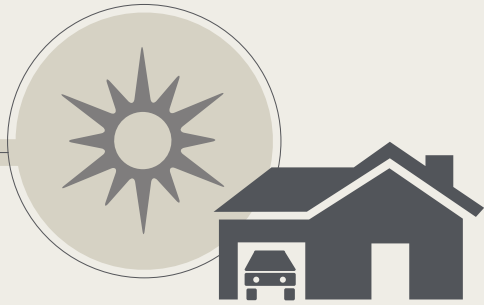
MFA provided nearly

**\$43,000,000**

in financing to construct or rehabilitate

**744** rental homes

including 191 units already in the pipeline.



MFA funded more than

**\$9,000,000**

to rehabilitate homes and improve energy-efficiency for

**861** low-income homeowners

Housing Those in Need

MFA funded nearly

**\$1,000,000**

in shelter, transitional housing and operating costs for

**8,249** individuals experiencing homelessness



MFA funded more than

**\$2,000,000**

in loans to construct or acquire, rehabilitate and resell

**119** affordable for-sale homes

including 40 units already in the pipeline.



and

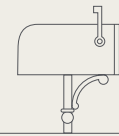
**\$860,000**

in homelessness prevention measures for

**394** households at risk of becoming homeless



by  
**REHABILITATING  
HOMES**



## IMPROVING HOUSING CONDITIONS *in the Colonias*

After coming to the United States more than 27 years ago, Juan and Priciliana Gonzalez and their eight children lived in a small travel trailer in Vado. Eventually, the family bought a larger travel trailer, but because it was old, the trailer could not be hooked up to the natural gas line that ran through their property. To keep his family warm and fed, Juan connected four five-gallon propane tanks to the stove, hot water heater and two space heaters. But the makeshift system created an extremely dangerous living environment, which became even more dangerous when one of the propane tanks developed a leak.

Three years ago, one of Juan's neighbors had their home rehabilitated by Tierra del Sol Housing Corporation, one of MFA's non-profit partners in southern New Mexico. Juan asked Tierra del Sol staff if it would be possible to make repairs to his home, too.

Mike Rudloff, Tierra del Sol's Housing Rehabilitation Program manager, helped the Gonzalez family apply for the House by House Rehabilitation Program, which provides funding for low-income homeowners to make necessary repairs. But the Gonzalez home needed so much work, Rudloff said, it was determined to be more cost effective to replace it with a brand new manufactured home.

MFA receives funding for housing rehabilitation from the U.S. Department of Housing and Urban Development. It awards the funds to housing authorities, non-profit organizations and local governments who administer the program in rural areas of the state. Tierra del Sol has administered the House by House Rehabilitation program in the colonias of Doña Ana County for MFA since 1999.

When Juan was first told that he was going to have a new home, he had a hard time believing it could be true. But when the keys to his new house were placed in his hand, Juan's dream became a reality.



*Juan and Priciliana Gonzalez stand outside their new manufactured home in Vado. The House by House Rehabilitation Program provided a new manufactured home for the Gonzalez family, who spent years living with their eight children in a travel trailer. "We now have heating and cooling, and there is no danger from portable gas," Juan said. "We have reached the American Dream."*

“ When Mike gave us the keys to our new home, we didn't know whether to cry, yell, or just hug him! ”



on  
**TRIBAL  
LAND**



## SAN FELIPE PUEBLO HOUSING AUTHORITY

Building affordable housing on tribal land is difficult. And purchasing a home on tribal land can be even more complicated. But the San Felipe Pueblo Housing Authority (SFPHA) has developed innovative solutions for both housing construction and home purchases on tribal land. These creative solutions for creating stable housing are rapidly becoming a model for tribes across the nation.

Traditionally, tribal housing authorities depended on annual U.S. Department of Housing and Urban Development (HUD) grants to fund operations and construction projects. But grant funding covered construction costs for only a handful of homes each year, which didn't begin to meet the critical need for tribal housing. Cuts to the federal grant program have made things even worse.

SFPHA made the landmark decision to leverage four years of future HUD grants with the HUD Title VI loan program to fund a large construction project. The inventive idea resulted in the development of Black Mesa View, a 132-home subdivision on the pueblo. Not only did the project allow the housing authority to build the houses at a lower cost, but almost all of the 36-person construction crew lives on the San Felipe Pueblo.

"I know most of the people we're building houses for – they're my cousins, nieces, uncles," said Vernon Trancosa, who has had a construction job with the housing authority for almost four years. "It feels good when you see them walk into their new homes."

In addition to providing Vernon a construction job, SFPHA's creative approach benefited him and his family in another way. Almost a year ago, using a special mortgage program created by SFPHA, Vernon was able to buy one of the new homes he helped build. The SFPHA mortgage program allows the housing authority to act as both borrower and lender, paying off the Title VI loan with HUD Section 184 loans to SFPHA. Tribal members work directly with the housing authority to become mortgage-ready, receive financial literacy and pre-purchase counseling and purchase homes with a tribal mortgage.

Most tribal members qualify for MFA's down payment assistance and Indian Community Development Block Grants. The assistance puts the average home loan at a very affordable \$86,000 with a 3.75 percent interest rate.

SFPHA also uses MFA's Primero program for refinancing, remodels and rehabilitations. "The Primero program finances important housing needs that traditional lenders don't finance," said Isaac Perez, executive director of SFPHA. "We are proud to partner with MFA in offering innovative solutions for our community."

“ Now I can call  
my house **HOME.** ”

*Barbara, Vernon and Tyrell Trancosa stand in front of their new home, which Vernon helped construct, on the San Felipe Pueblo. Vernon was able to purchase his first home through an innovative mortgage program designed for tribal members.*



# 2013

## COMMUNITY EVENTS



03.07.13 Casitas de Colores groundbreaking with Albuquerque Mayor Richard Berry, Albuquerque.



03.18.13 Luna Lodge ribbon cutting, Albuquerque.



04.18.13 Sundowner groundbreaking, Albuquerque.



05.29.13 Hooghan Hózhó groundbreaking with Navajo Nation President Ben Shelley, Gallup. Photo: John Vant'land.



06.25.13 Stage Coach ribbon cutting with NM Economic Development Dept. Cabinet Secretary Jon Barela, Santa Fe.



06.27.13 Robledo Ridge ribbon cutting, Las Cruces.



08.19.13 Mesa del Norte grand opening with YES Housing President and CEO Chris Baca, Los Alamos.



10.20.13 Board of Directors community meeting with Mayor Sam Cobb, Hobbs.



10.28.13 Sleepy Hollow grand opening, Albuquerque.



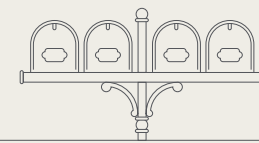
11.08.13 Weatherization Day with Congressman Ben Ray Luján, Española.



01.24.13 Housing Matters press conference at the state capitol, Santa Fe.



through  
**OUTSTANDING  
 PROPERTY  
 MANAGEMENT**



VISTA GALLINAS  
 SUPPORTIVE HOUSING  
*in Las Vegas*

Every year, New Mexico communities celebrate ribbon cutting events for newly constructed or rehabilitated affordable apartment complexes. But these celebrations are really just the beginning of the story. For the next 20 to 45 years, affordable construction projects that utilized federal funding are required to maintain the property as affordable rentals for low-income households.

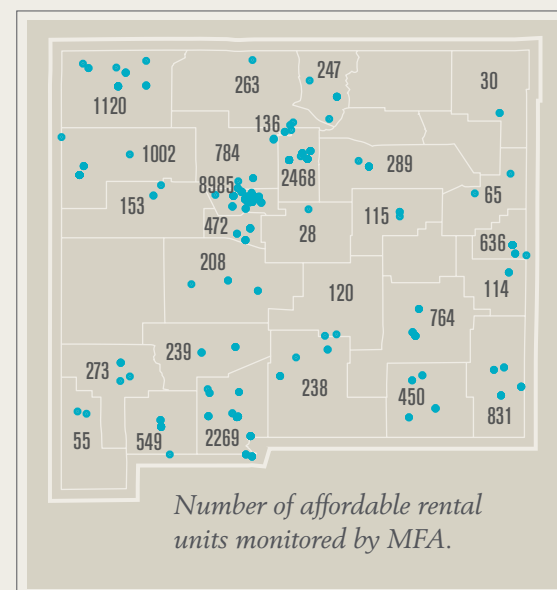
MFA's Asset Management Division monitors more than 350 affordable apartment properties with a total of 22,903 units throughout New Mexico. Staff ensures that rental rates comply with federal regulations, tenants meet income criteria and apartments are safe and in compliance with national standards for physical condition. The majority of property managers receive an in-person monitoring visit by MFA staff every year.

Vista Gallinas Apartments in Las Vegas is one of the affordable rental communities MFA monitors. Vista Gallinas, which opened its doors in 2010, is a 15-unit property owned and managed by the Supportive Housing Coalition of New Mexico. Units are reserved for residents with mental or physical disabilities, many of whom are elderly. Residents have access to a variety of support services including case management and health care.

"We want to provide an environment where residents feel safe and secure," said Paula Harper, executive director of the Supportive Housing Coalition. "I tell my management staff that if they wouldn't want to live here, no one else should, either."

Virginia Martinez Rubio came to Vista Gallinas two years ago after she fell and broke her hip. The 88-year-old was living alone at her family's ranch, 30 miles outside of Las Vegas.

"The apartments are excellent," Rubio said. "It is wonderful that there is a place for us. I have good neighbors that I can talk to, and I am happy here."

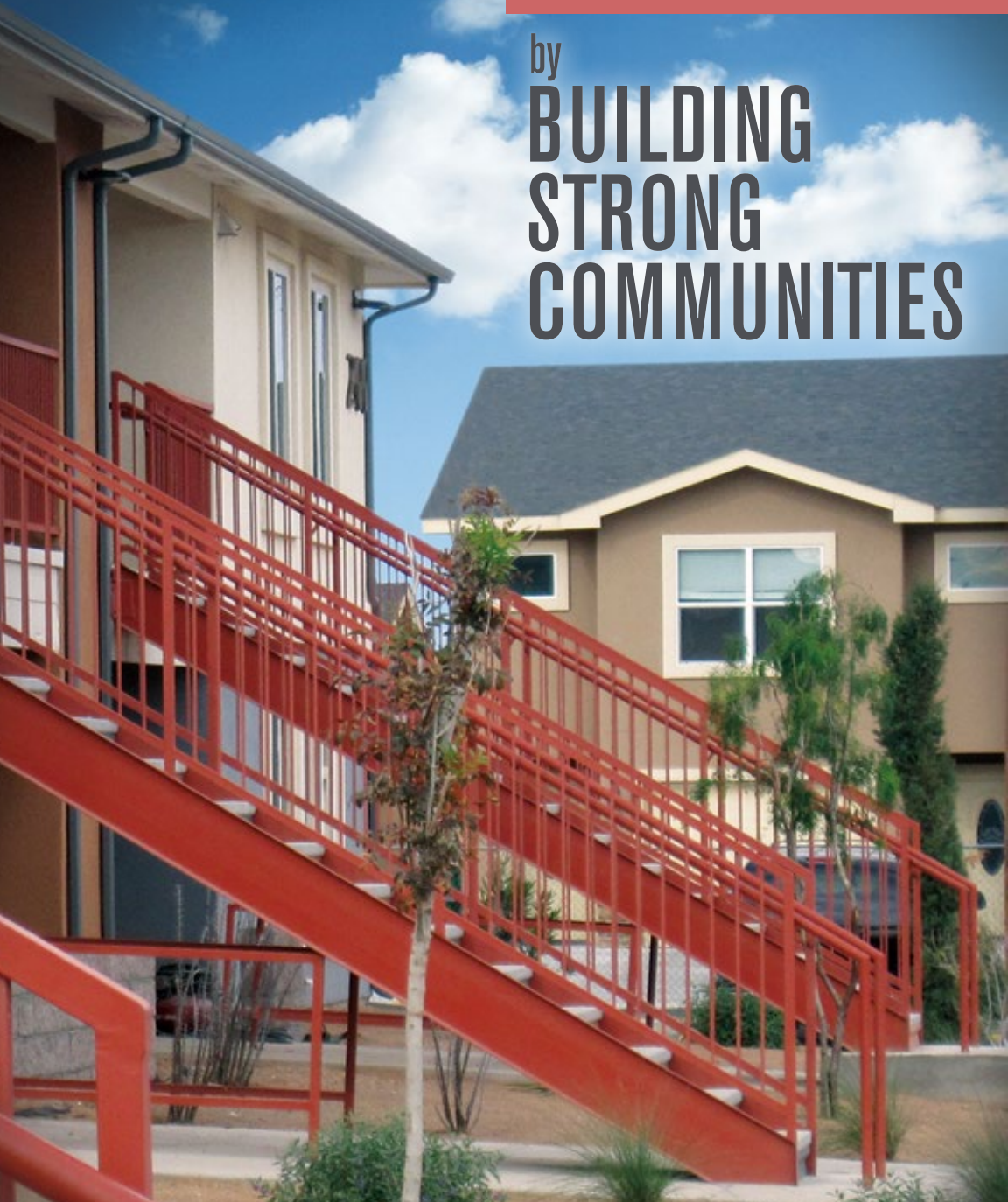


*Virginia Martinez Rubio, 88, came to Vista Gallinas two years ago after she broke her hip.*

“These apartments were designed for us,  
 I am very grateful to live here.”



by  
**BUILDING  
STRONG  
COMMUNITIES**



**PARK PLACE  
APARTMENTS**  
*in Hobbs*

Times are good in Lea County. The oil business is booming, oil and gas fields are plentiful and good jobs are available for the taking. But one thing is in very short supply: affordable workforce housing. Hobbs, Lea County’s principal city, has had a near-zero housing vacancy rate for the last several years. As a result, many workers are forced to live in motels, campers and older housing built in the 60s, 70s and 80s.

Casa Hermosa was an 88-unit apartment complex in Hobbs that was in an advanced state of disrepair. Forty percent of the units were completely uninhabitable, and the rest were crumbling. But because there was nowhere else to go, residents stayed on, making the best of a rapidly deteriorating situation.

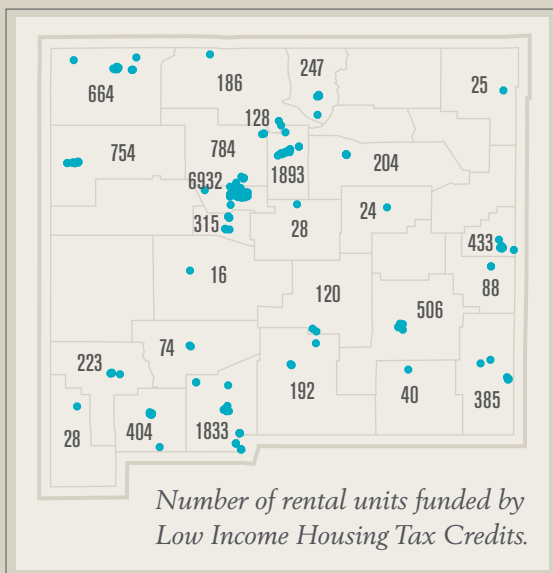
However, Hobbs Mayor Sam Cobb and other city leaders knew that a strong community must have quality permanent housing for its workforce. The city formed a partnership with developers Chelsea Investment Corporation and Lea County Housing, Inc. to launch a massive rehabilitation project at Casa Hermosa. With more than \$9 million in funding from MFA and a grant and waivers from the city of Hobbs, each unit has received more than \$80,000 in direct hard cost upgrades to the unit’s interiors and exteriors.

“Working with the city of Hobbs has been a very refreshing experience,” said Matt Grosz, project manager from Chelsea Investment Corporation. “They are very business friendly and open and eager to do whatever it takes to make their community better.”

The Casa Hermosa rehabilitation was financed largely through MFA’s Low Income Housing Tax Credit program. MFA receives New Mexico’s allocation of housing tax credits each year, which are then allocated through a competitive process to fund the construction and rehabilitation of affordable rental housing throughout the state.

Casa Hermosa is now called Park Place. From its new name to its new architecture, color schemes, landscaping and interiors, the property is hardly recognizable as the rundown place it was before. “We’re proud of the project and how we’ve been able to transform the property,” said Cheri Hoffman, president of Chelsea. “Residents are grateful for the increase in the quality of their housing and their quality of life.”

Perhaps no one is prouder of Park Place than Mayor Cobb. “This rehabilitation project is an excellent example of how Chelsea Investment Corporation, a private developer, MFA and the City of Hobbs can come together to remove an eyesore in our community and provide aesthetically pleasing and affordable housing for the residents of Hobbs,” he said.



Number of rental units funded by Low Income Housing Tax Credits.



*“We look forward to more rehabilitation projects and new housing construction with Chelsea, other private developers and MFA in order to benefit the residents of our community,” said Mayor Cobb.*



# MFA FINANCIAL PERFORMANCE

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following table is a condensed summary of changes in net position for the years ended September 30, 2013 and 2012 (in thousands):

	2013	2012
<b>OPERATING REVENUES</b>		
Interest on loans and MBS	\$ 45,875	53,422
Interest on securities and investments	4,176	4,434
Program revenues	1,314	1,626
Net increase in fair value of investments*	(40,916)	(1,723)
Loan and commitment fees	2,312	2,332
Administrative fees and other revenues	2,896	9,861
<b>Total Operating Revenues</b>	<b>\$ 15,657</b>	<b>69,952</b>
<b>OPERATING EXPENSES</b>		
Interest Expense	42,199	49,648
Administrative fees and other expenses	9,972	12,278
<b>Total Operating Expenses</b>	<b>\$ 52,171</b>	<b>61,926</b>
<b>Operating (Loss) Income</b>	<b>\$ (36,514)</b>	<b>8,026</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant Award Income	47,174	57,690
Grant Award Expense	(47,174)	(57,690)
State Appropriations	3,000	-
Land Title Trust Fund contributions	9	12
Land Title Trust Fund grant distributions	-	-
<b>Change in Net Position</b>	<b>(33,505)</b>	<b>8,038</b>
TOTAL NET POSITION, BEGINNING OF YEAR	\$ 270,782	262,744
TOTAL NET POSITION, END OF YEAR	\$ 237,277	270,782

\* MFA is subject to GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. These asset valuation adjustments do not represent operating expenses.

## FINANCIAL POSITION

The following table is a condensed summary of net position at September 30, 2013 and 2012 (in thousands):

ASSETS		LIABILITIES		NET POSITION	
2013	2012	2013	2012	2013	2012
current <b>\$51,058</b> noncurrent <b>\$1,151,692</b> <b>\$1,202,750</b>	current <b>\$47,512</b> noncurrent <b>\$1,343,717</b> <b>\$1,391,229</b>	current <b>\$31,499</b> noncurrent <b>\$933,974</b> <b>\$965,473</b>	current <b>\$32,527</b> noncurrent <b>\$1,087,920</b> <b>\$1,120,447</b>	unrestricted <b>\$125,541</b> restricted <b>\$87,896</b> restricted for Land Title Trust and Housing Trust Funds <b>\$24,512</b> invested in capital assets, net of related debt (\$672) <b>\$237,277</b>	unrestricted <b>\$122,330</b> restricted <b>\$128,114</b> restricted for Land Title Trust and Housing Trust Funds <b>\$20,913</b> invested in capital assets, net of related debt (\$575) <b>\$270,782</b>

## FINANCIAL HIGHLIGHTS

The Authority's overall financial position and results of operations for the current and most recent prior year is presented below (in thousands):

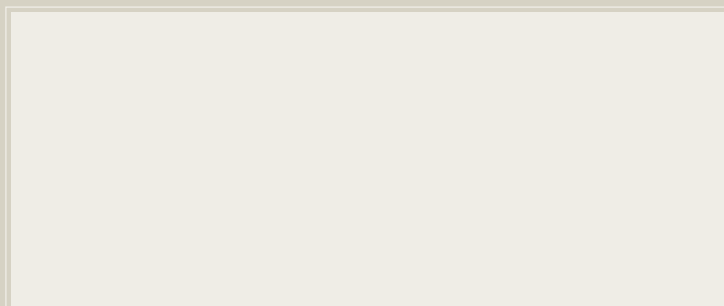
	2013	2012
Cash and cash equivalents (unrestricted and restricted)	\$ 98,367	\$ 155,426
Investments (unrestricted and restricted)	55,640	50,319
Mortgage-backed securities and mortgage loans receivable	1,033,274	1,168,012
Total Assets	1,202,750	1,391,229
Bonds Payable	952,351	1,104,990
Total Liabilities	965,473	1,120,447
Total Net Position	237,277	270,782
Total Operating Revenues	15,657	69,952
Total Operating Expenses	52,171	61,926
Operating Income	(36,514)	8,026
Total Nonoperating Revenues	3,009	12
Change in Net Position	\$ (33,505)	\$ 8,038

## SUMMARY OF MFA AUDITS 2007-2013

AUDIT	FREQUENCY*	AUDITING AGENCY	AREAS AUDITED*
Internal Processes and Procedures	On-going	REDW, at the request of the MFA Board	Internal processes, functions, procedures, programs, departments
Quality Control, Servicing	Monthly	REDW, at the request of the MFA Board	Mortgage loan servicing functions
Financial Statement and Single Audit	Annually	NM Office of the State Auditor, KPMG	Fiscal year-end financial statements, internal controls, compliance with federal programs
Quality Control, Section 8 Administration	Annually	REDW, at the request of the MFA Board	Section 8 Administration work plan
PBCA's Section 8 Program	Annually	Housing and Urban Development	Section 8 Administration work plan
HOME, ESG, HOPWA, RHED, Housing Counseling Program	Annually	Housing and Urban Development	Program administration and compliance
Weatherization Program	Annually	Department of Energy	Program administration and compliance
State of New Mexico	Annually	Department of Finance, Human Services Department	Program administration and compliance with joint powers and grant agreements
Affordable Housing Disposition Program	Annually	FDIC	Program compliance and monitoring of properties
Loan Servicing	Annually	Housing and Urban Development	Mortgage loan servicing functions, claims submitted, loss mitigation
State of New Mexico	Upon Discretion	NM Office of the State Auditor	Financial statements and/or joint powers agreements
Internal Revenue Service	Upon Discretion	IRS, Department of Treasury	Non-taxable bond issues, tax returns of bond arbitrage rebate calculation, tax credit allocations
Loan Servicing	Upon Discretion	Fannie Mae, Freddie Mac, Ginnie Mae	Mortgage loan servicing functions

\* Subject to the discretion of the auditing agency.





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*Executive Director*



Gina Hickman (above)  
*Deputy Director of Finance and Administration*

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