

New Mexico Mortgage Finance Authority



MFA

Housing New Mexico

Legislative Oversight Committee

October 14, 2022



New Mexico Mortgage Finance Authority

October 14, 2022

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Tab 1

New Mexico Mortgage Finance Authority

Legislative Oversight Meeting

October 14, 2022



Capital
Markets

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- In 1975, MFA was created as a governmental entity, separate from the state, for the purpose of raising capital from private investors to finance affordable housing for low to moderate income persons within the state.
- MFA is completely self-supporting.
- **With 30 different programs, MFA has assisted over 475,000 New Mexicans find quality affordable housing.**
- MFA's largest program is Single Family Mortgage Program Bonds for first-time homebuyers
- The Bonds are special obligations of the Authority (not a general obligation), payable and secured solely by the pledge of the revenues and assets derived from the proceeds of the Bonds. In no event shall the Offered Bonds constitute an obligation or liability (either general or special) of the State of New Mexico (the "State") or any political subdivision thereof. The Authority has no taxing power.



MFA's Single Family Mortgage Program Bonds – Highlights



- Tax-exempt bond proceeds are used to make below market rate mortgages to first time home buyers (with income and purchase price limits set by the IRS).
- MFA doesn't take real estate risk. Timely loan repayments are guaranteed by FNMA or GNMA (regardless of borrower delinquency).
- Repayments of the loans repay the bonds. Spread between net mortgage and bond rates is an annuity for MFA.
- With GNMA/FNMA as revenue source, bonds are rated Aaa (Moody's).
- As of March 31, 2022, MFA had \$1.1 billion of MBSs and the single family mortgage program bonds outstanding.
- There are 33 series of bonds outstanding – all fixed rate debt (no variable).
- MFA helped 2,900 families become homeowners in 2021.

NEW ISSUE – BOOK-ENTRY ONLY

Rating for Offered Bonds: Moody's: "Aaa"
(See "RATING" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Offered Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. See "TAX MATTERS" herein.



NEW MEXICO MORTGAGE FINANCE AUTHORITY
\$99,900,000
Single Family Mortgage Program Class I Bonds
2022 Series D Bonds
(Tax-Exempt) (Non-AMT)

Dated: Date of Delivery

Due: As shown on inside cover

The New Mexico Mortgage Finance Authority (the "Authority") is issuing the above-captioned bonds (the "Offered Bonds"), in the aggregate principal amount of \$99,900,000 pursuant to a General Indenture of Trust dated as of November 1, 2005, as heretofore amended and supplemented (the "General Indenture"), and a 2022 Series D Indenture dated as of August 1, 2022 (the "2022 Series D Indenture"), each between the Authority and Zions Bancorporation, National Association, as trustee (the "Trustee"), to finance certain mortgage loans under the single family mortgage programs of the Authority.

The Offered Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Offered Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Interest on the Offered Bonds is payable by the Trustee to the registered owners thereof semiannually on March 1 and September 1 of each year, commencing March 1, 2023, at the rates set forth on the inside front cover hereof. Principal on the Offered Bonds is payable at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. So long as DTC is its nominee is the registered owner of the Offered Bonds, disbursement of payments of principal, redemption price and interest to DTC is the responsibility of the Trustee; disbursement of such payments to Direct Participants (as defined herein) is the responsibility of DTC; and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of Direct Participants. See "APPENDIX F – BOOK-ENTRY SYSTEM" attached hereto.

Under the General Indenture, the Authority may issue additional series of bonds ("Additional Bonds") and other obligations related to bonds ("Auxiliary Obligations") upon satisfaction of the conditions set forth in the General Indenture. The General Indenture provides that Bonds (defined herein) and Auxiliary Obligations be designated a priority class, with Class I being the highest priority and the priority order decreasing as the Roman numerals increase. Bonds and Auxiliary Obligations of each Class issued under the General Indenture are equally and ratably secured by the pledges and covenants contained therein with other Bonds and Auxiliary Obligations of the same Class. The Offered Bonds are being issued as Class I Bonds under the General Indenture. All Bonds issued under the General Indenture to date have been issued as Class I Bonds (collectively, the "Outstanding Bonds"), and the Outstanding Bonds, the Offered Bonds and any Additional Bonds are referred to herein collectively as the "Bonds." The General Indenture, the 2022 Series D Indenture and all supplemental indentures, including supplemental indentures providing for the issuance or remarketing of any Bonds, are referred to herein collectively as the "Indenture." See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE" attached hereto.

The proceeds of the Offered Bonds, other moneys made available upon the issuance of the Offered Bonds and other available funds, will be made available for use by the Trustee, on behalf of the Authority, to (a) purchase: (i) mortgage loan pass-through certificates (the "GNMA Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"), (ii) mortgage loan pass-through certificates (the "Fannie Mae Certificates") issued and guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association ("Fannie Mae") and/or (iii) mortgage loan pass-through certificates (the "Freddie Mac Certificates") issued and guaranteed as to timely payment of principal and interest by the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and (b) pay certain costs of issuing the Offered Bonds. The GNMA Certificates, the Fannie Mae Certificates and the Freddie Mac Certificates are collectively referred to herein as "Mortgage Certificates." See "FINANCING PLAN" herein.

The Offered Bonds are subject to redemption prior to maturity as more fully described herein. Any investor purchasing an Offered Bond at a price in excess of its principal amount should consider that such Offered Bond is subject to redemption without premium in certain cases as described herein. See "DESCRIPTION OF THE OFFERED BONDS" herein.

The Offered Bonds are special obligations of the Authority, payable solely from and secured solely by the pledge pursuant to the Indenture of the revenues and assets derived from the proceeds of the Bonds, including the Mortgage Certificates and the moneys and securities held in the Funds and Accounts created by the Indenture (other than the Rebate Account and amounts deposited therein). In no event shall the Offered Bonds constitute an obligation or liability (either general or special) of the State of New Mexico (the "State") or any political subdivision thereof or constitute or give rise to a pecuniary liability of the State or any political subdivision thereof. The Authority has no taxing power and has no power to pledge the general credit or taxing power of the State or any political subdivision thereof. The Offered Bonds and all other Bonds outstanding from time to time, and all interest thereon, are secured on a parity basis.

The Offered Bonds are not a debt of the United States of America, or any agency thereof, including GNMA, or of Fannie Mae or Freddie Mac, and are not guaranteed by the full faith and credit of the United States of America, GNMA, Fannie Mae or Freddie Mac. The obligations of Fannie Mae and Freddie Mac are not backed by the full faith and credit of the United States of America.

The Offered Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, and for the Authority by Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A., Albuquerque, New Mexico. It is expected that the Offered Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 18, 2022.

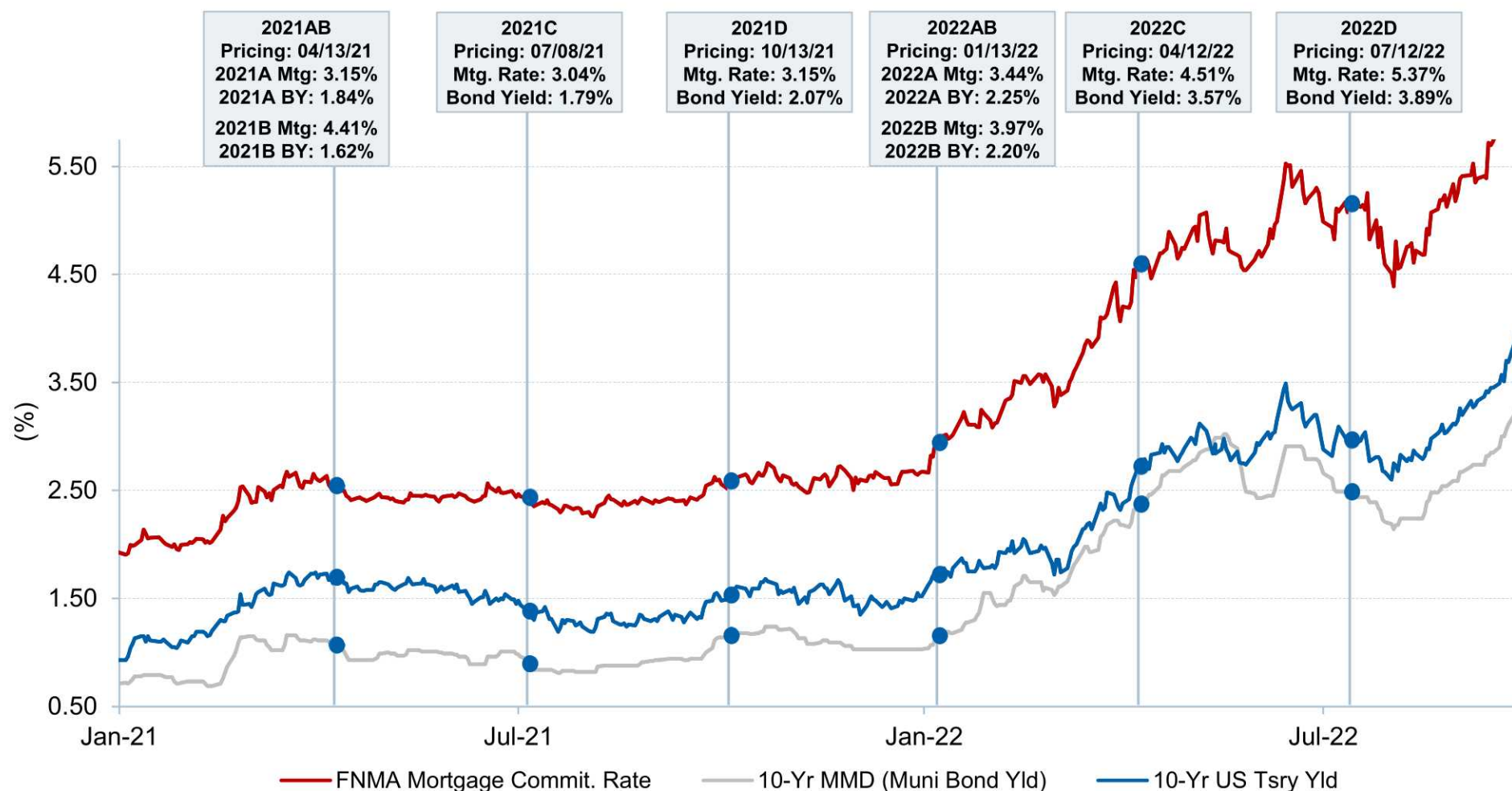
RBC Capital Markets

Dated: July 12, 2022

Raymond James

MFA Issues Tax-Exempt Bonds to Fund Below Market Mortgages to First Time Homebuyers

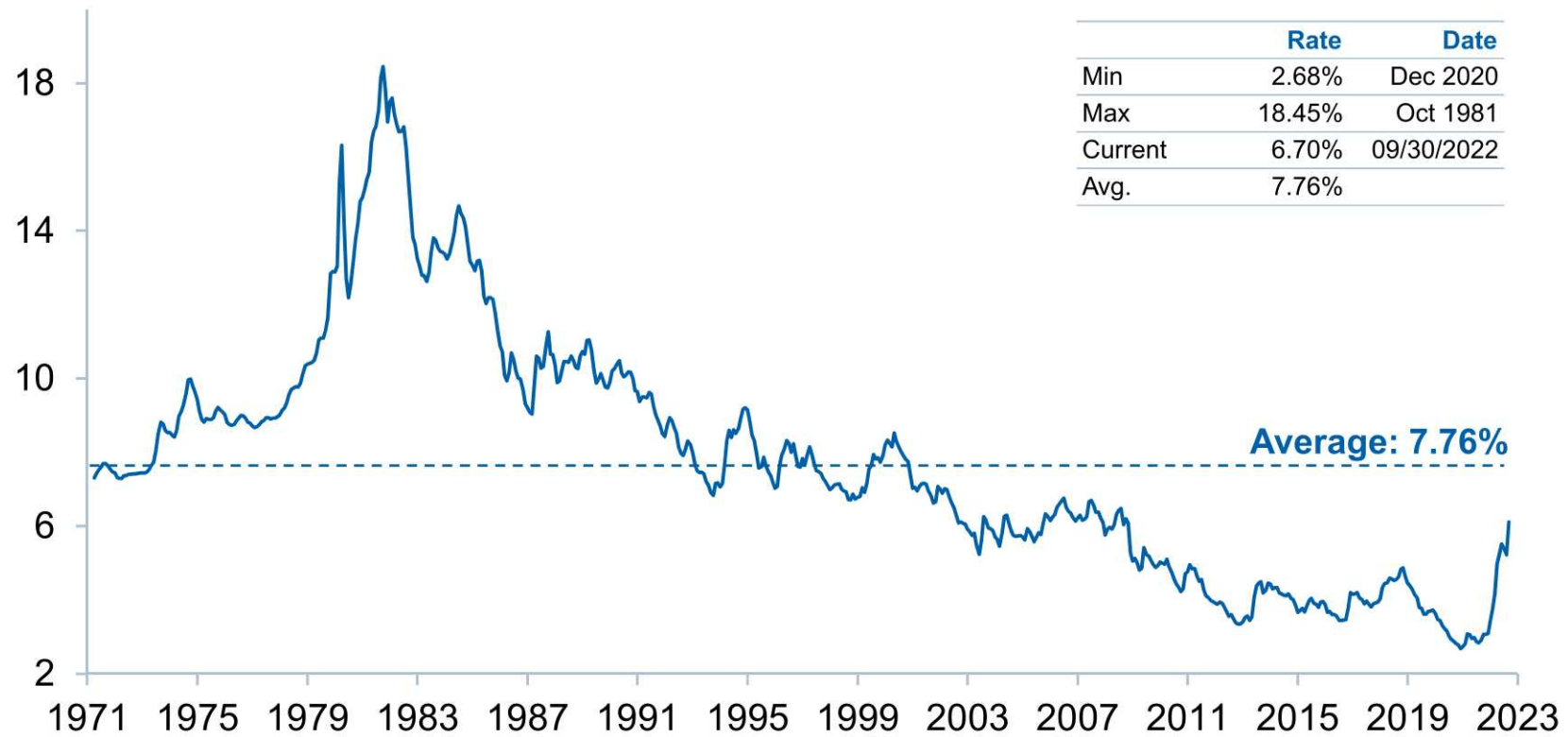
- Spread between mortgage rates and bond rates = annuity for 30 year life of loan (limited to 1.125%)
- Mortgage rates have more than doubled in 2022



Rates	01/03/2022	09/28/2022	2022YTD Δ
FNMA Mortgage	2.67	6.34	3.67
10-Year MMD	1.04	3.28	2.24
10-Year Treasury	1.63	3.72	2.09

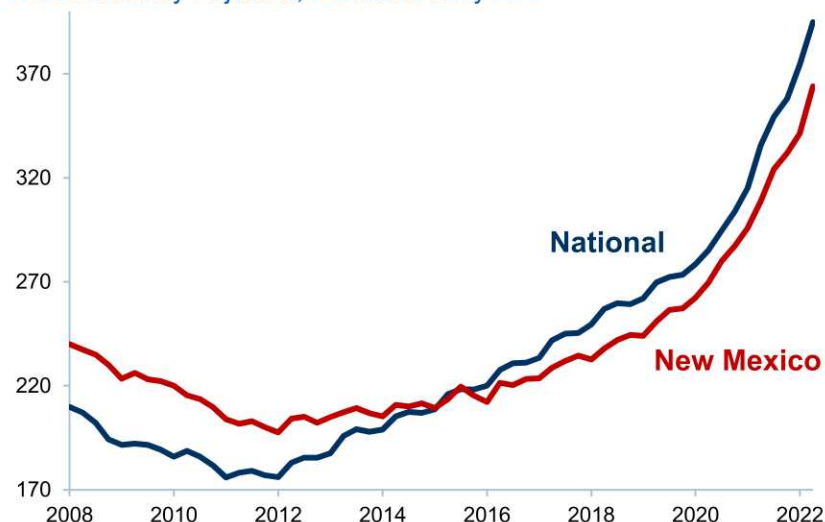
Source: Bloomberg; MFA Single Family Mortgage Program Class I Bonds Official Statements

Freddie Mac Primary (Conventional, Conforming 30-Yr Fixed Rate) Mortgage Market Survey Since 1971

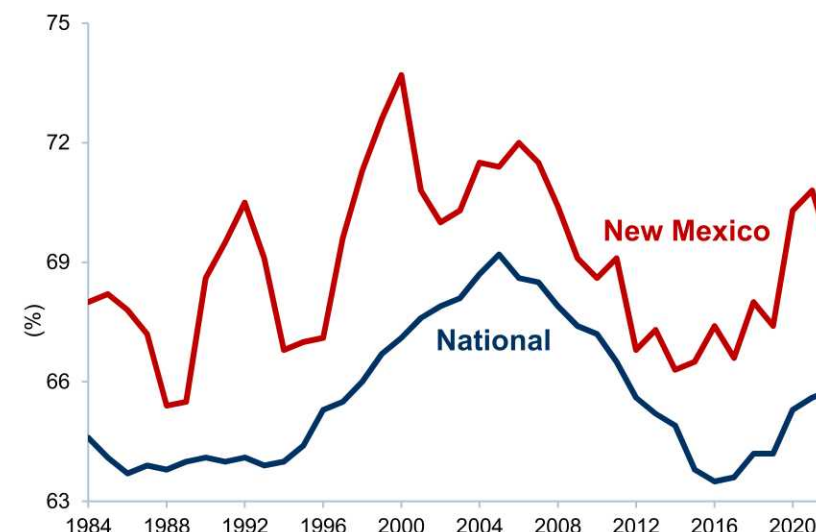


FHFA House Price Index

Not Seasonally Adjusted, Purchase-Only HPI



Homeownership Rates



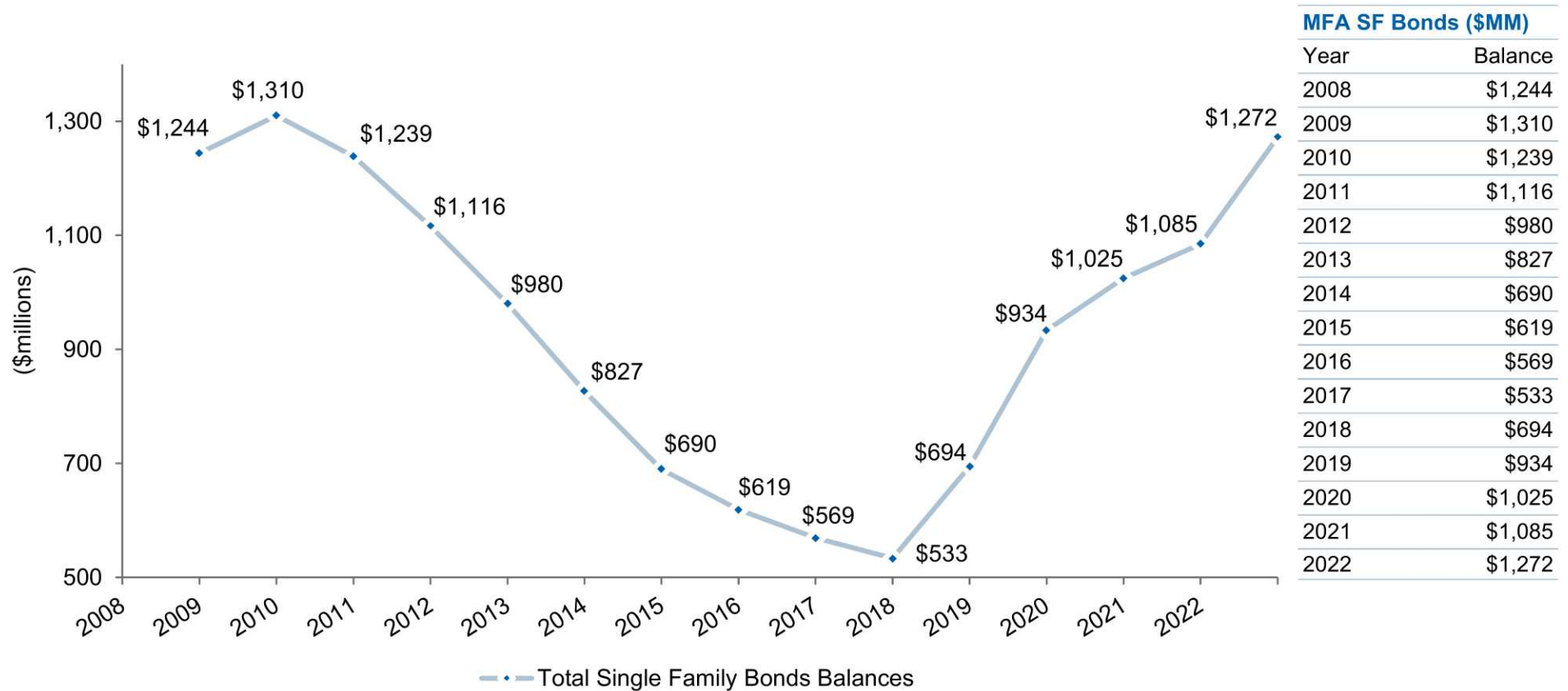
Housing Trend in New Mexico

- Home prices continued to rise in 2022
 - New Mexico Median Home Value \$297,808 (16.5% YOY Increase)
 - National Median Home Value \$356,026 (also 16.5% YOY Increase)
- Homeownership rates are higher than the national average (New Mexico @ 69.2% vs. National @ 65.8% as of 22Q2)
- For the same home in New Mexico, the monthly mortgage payments are now 78% higher than a year ago

Housing Affordability in New Mexico

	One Year Ago	Current
Purchase Price	\$255,629	\$297,808
Downpayment (3%)	\$7,669	\$8,934
Loan Amount	\$247,960	\$288,874
Mortgage Rate	3.01%	6.70%
Monthly Payment	\$1,047	\$1,864
YOY Change (\$)		\$817
YOY Change (%)		78%

NMMFA Historical Single Family Bond Balances (as of 9/30 of each year)



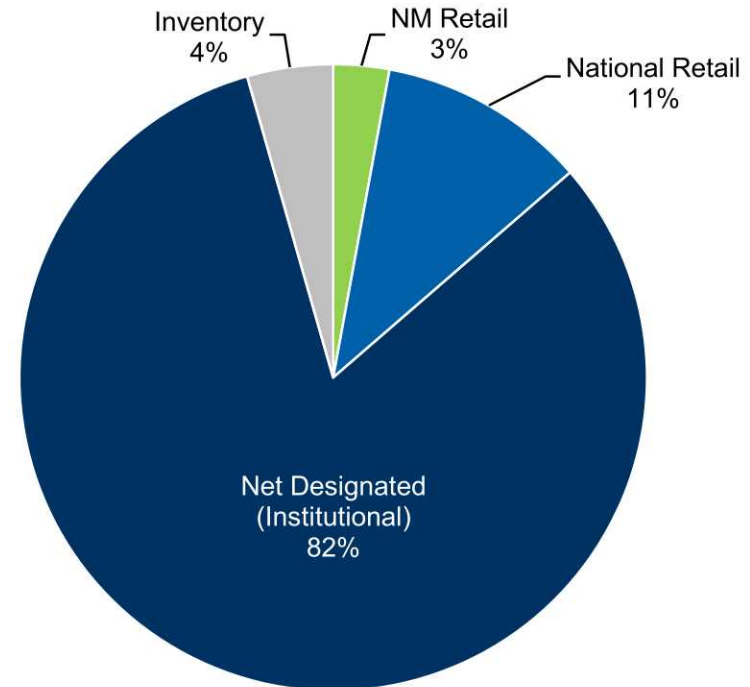
Source: NMMFA Audited Financial Statements (2008 to 2021) and 2022D Official Statement

Par Amount: \$99,900,000
Pricing Date: July 12, 2022

Order Summary

New Mexico Retail: \$14,560,000
National Retail: \$54,280,000
Institutional: \$413,615,000
Inventory: \$22,320,000
Total Orders: \$504,775,000


2022D Investor Profile (31 PR / Inst. Accounts)



Who Issued Bonds in New Mexico in 2022YTD (as of 09/28/2022)

New Mexico Bond Issuance 2022YTD		
Date	Issuer	Par (\$000)
02/23/2022	New Mexico Mortgage Finance Authority	133,467
03/01/2022	Bernalillo Municipal School District No 1	2,335
03/01/2022	Los Alamos Public School District	6,200
03/10/2022	Ruidoso Municipal School District No 3	3,500
03/10/2022	Development District No 1	47,990
03/29/2022	New Mexico Finance Authority	63,850
04/04/2022	New Mexico Hospital Equipment Loan Council	30,540
04/13/2022	City of Albuquerque NM	80,700
04/18/2022	Receipts/Certificates	5,125
04/21/2022	Albuquerque Municipal School District No 12	47,000
04/21/2022	Santa Fe Public School District	41,000
04/28/2022	New Mexico Finance Authority	47,240
05/18/2022	Alamogordo Municipal School District No 1	4,000
05/19/2022	Roswell Independent School District	7,000
05/24/2022	New Mexico Mortgage Finance Authority	90,000
05/24/2022	Receipts/Certificates	12,000
05/26/2022	Carlsbad Municipal School District	20,000
05/31/2022	City of Rio Rancho NM	12,400
06/21/2022	Control Authority	8,000
06/29/2022	Mizuho Floater/Residual Trust	26,000
06/29/2022	New Mexico Finance Authority	53,215
06/29/2022	New Mexico Mortgage Finance Authority	13,000
06/29/2022	Permanent Fund	260,900
06/30/2022	Loving Municipal School District No 10	20,000
07/05/2022	County of Santa Fe NM	12,455
08/09/2022	Revenue	86,955
08/17/2022	Deming School District No 1	2,000
08/18/2022	New Mexico Mortgage Finance Authority	99,900
08/24/2022	West Las Vegas Schools	2,500
08/31/2022	Dona Ana Branch Community College	8,000
09/15/2022	Control Authority	5,000
Total		1,252,272

Annual Bond Issuances in NM		
Year	Par (\$000)	# of Issues
2022YTD	\$1,252,272	31
2021	\$1,800,902	33
2020	\$2,098,039	46
2019	\$2,512,312	59
2018	\$2,041,185	49
2017	\$1,912,205	53
2016	\$1,868,998	70
2015	\$2,419,875	83
2014	\$2,294,173	76



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uncharted waters

Serving public agencies & non-profits
since 1978

FINANCING TRENDS AMONG HFAS: IMPLICATIONS FOR MFA



CSG | advisors

OCTOBER 2022

HFA Trends and Challenges

2

1. Dramatic and rapid increase in mortgage loan rates

- Borrower's ability to qualify for a loan is significantly challenged

2. House price appreciation has reduced supply of affordable housing stock

- Homeownership remains in high demand despite the rise in rates
- House price appreciation has reduced house supply nationally, challenging state HFA loan production, though recently seeing some signs of increased supply

3. MFA has been able to offer lower loan rates to first-time homebuyers

- MFA's average FHA First Home loan rate during 2022 is 0.25% lower than the national average

4. Private activity volume cap is in higher demand

- In 2022, New Mexico is limited to \$335 million in private activity volume cap
- More volume cap is being utilized by multifamily bond issues with 4% tax credits
- Cap is also used when funding single family loans with tax-exempt bonds
 - though MFA utilizes techniques to limit the amount of volume cap it uses when issuing bonds

MFA Resources for Funding Affordable Loans

3

1. Issuing tax-exempt bonds

- Historically provides a lower cost of funds to HFAs
- Investors bid aggressively for MFA bonds; excellent reputation, redemption mgmt.

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 MFA loans than generic loans, allowing MFA to offer lower loan rates than it could otherwise

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
- MFA has used more than \$75 million of HOF funds to purchase DPA second mortgages the last 5 years
- Recently increased the max loan size to 4% of the first mortgage

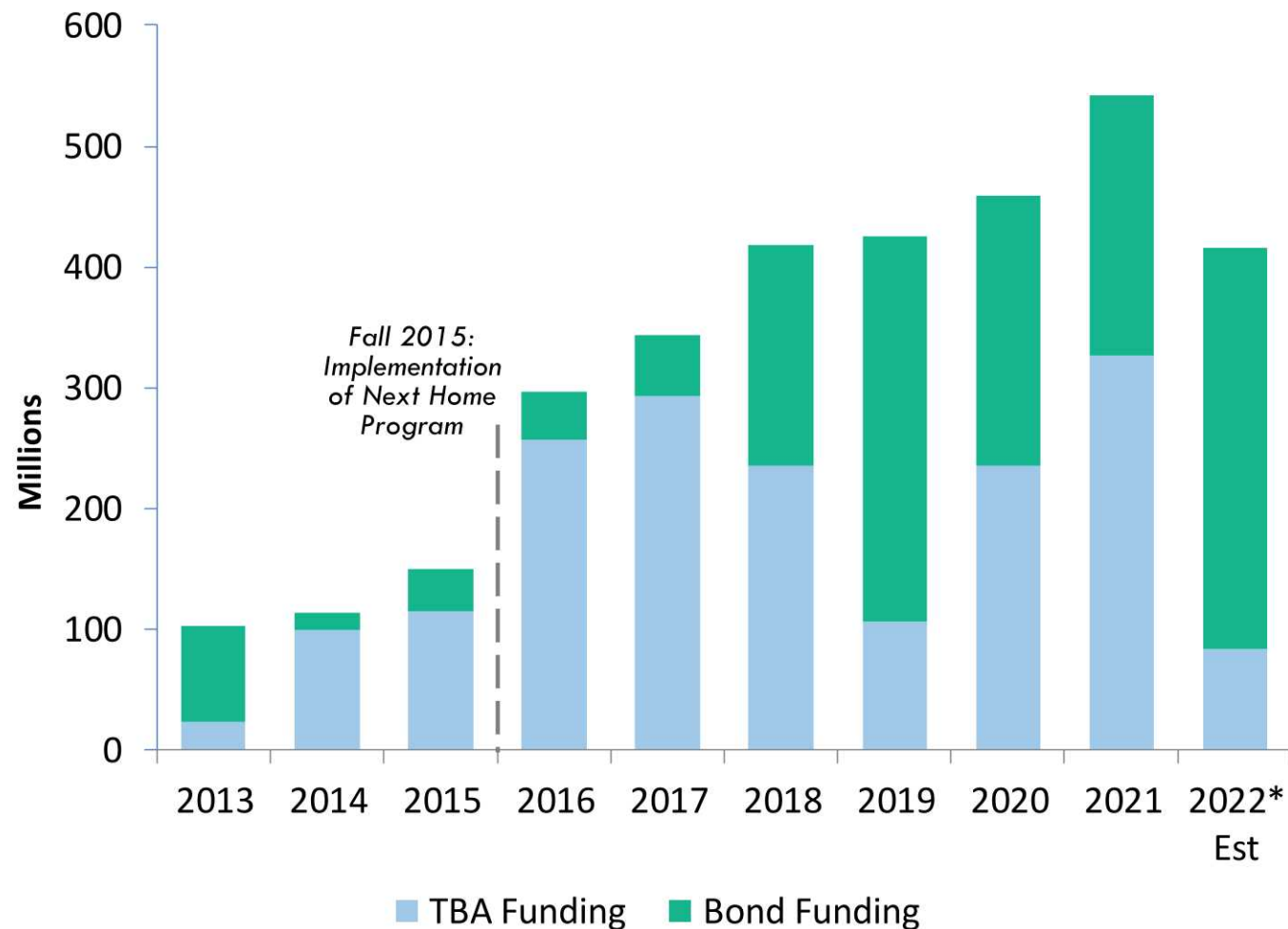
4. HomeNow DPA

- Provides up to \$8,000 for DPA and closing cost assistance for borrowers at 80% AMI or below

MFA Production Growth and Shift

4

- Stable increase in production for several years
- FY 2022 production decline with Next Home pause, rising rates and home prices



* Based on MBS settled or purchased each fiscal year.

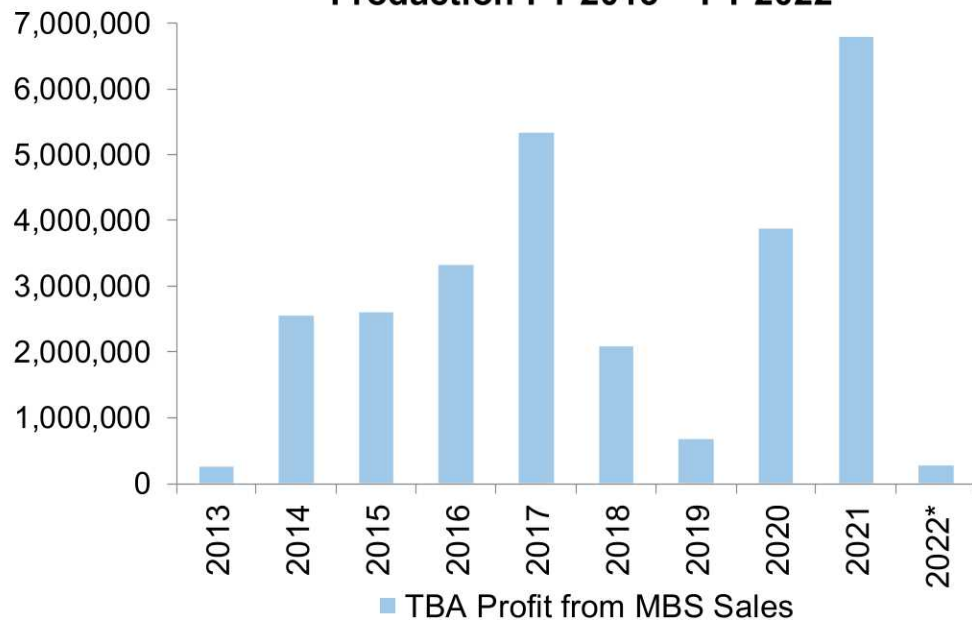
** FY2022 YTD actual production is shown through July 2022, and projected production is shown for subsequent months.

MFA Has Generated a Mix of Revenue Streams

5

MFA has generated both immediate revenue from TBA...

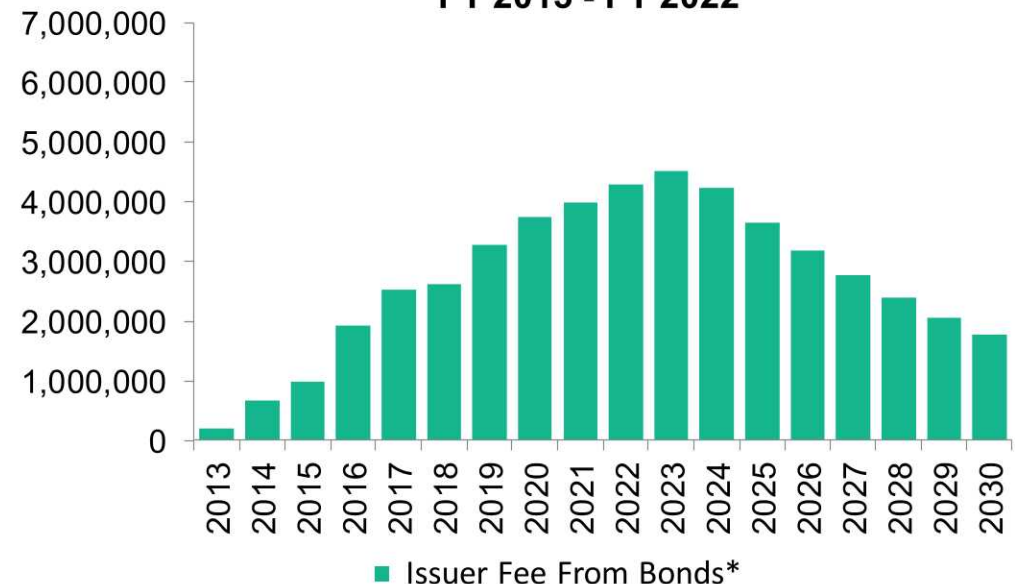
**Single Family TBA Revenue:
Production FY 2013 - FY 2022***



* Based on actual loan production through July 31, 2022 and projected production for subsequent months

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

**Single Family Forecasted Bond Revenue:
New Production and Refundings during
FY 2013 - FY 2022***



* Issuer fee run at 150% PSA

Actively Monitoring Interest Rates is Crucial

6

CSG and MFA Actively Monitor and Review:

- Market mortgage rates in relation to MFA's rates on a daily basis
- Municipal bond market rates and costs of funds across difference financing options on a weekly basis
- TBA Sale Market MBS prices daily
- MFA programmatic goals including attractive rates and downpayment assistance to New Mexicans

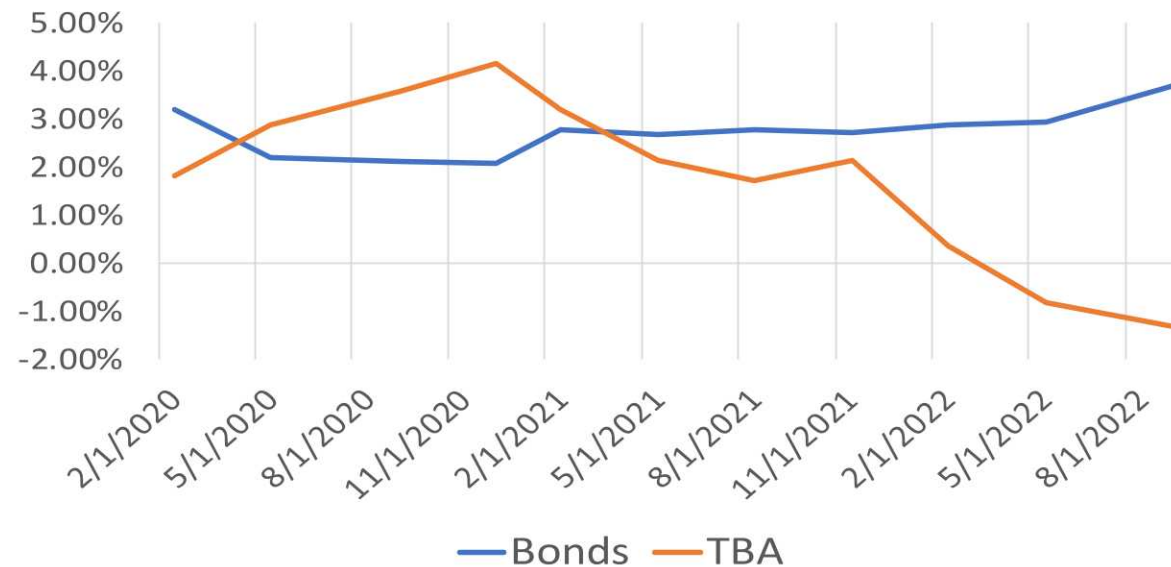
TBA									
15:22									
TBA30 TBA15 MBS Swaps Butterflies									
20 FN30	23 FN15	23 GD30	24 GD15	29 GN30	29 GN15	27 GNII			
	3.0			3.5		4.0			
Oct	94-12 / 13	1 - 1 - 10+		97-08 / 09	1 - 2 - 10	99-30+ / 31+	1 - 1 - 09		
Nov	94-09+ / 10+	1 - 2 - 10		97-04+ / 05+	1 - 1 - 10+	99-26+ / 27+	1 - 1 - 09		
Dec	94-06+ / 07+	1 - 2 - 10		97-01+ / 02+	1 - 1 - 10	99-22 / 23	1 - 1 - 09		
Oct/Nov	03 / 03 ¹	1 - 1 + 00 ¹		03 ¹ / 03 ¹	2 - 1 + 00 ¹	04 / 04 ¹	1 - 1 - 00 ¹		
Nov/Dec	03 ¹ / 03 ¹	1 - 1 + 00 ¹		03+ / 03 ¹	1 - 1 + 00 ¹	04 ¹ / 04+	1 - 1 -		
	4.5			5.0		5.5			
Oct	102-11 / 12	1 - 1 - 07		104-11+ / 12+	1 - 1 - 05	106-00+ / 01+	1 - 1 - 07		
Nov	102-06+ / 07+	1 - 1 - 07		104-07 / 08	1 - 1 - 05+	105-29 / 30	1 - 1 - 08		
Dec	102-01+ / 02+	1 - 1 - 07+		104-01+ / 02+	1 - 1 - 06+	105-23+ / 24+	1 - 1 - 11+		
Oct/Nov	04 ¹ / 04 ¹	1 - 1 -		04 ¹ / 04 ¹	1 - 1 + 00+	03 ¹ / 03+	1 - 1 + 00 ¹		
Nov/Dec	04 ¹ / 05	1 - 1 + 00 ¹		05 ¹ / 05 ¹	1 - 1 + 00 ¹	05+ / 05 ¹	1 - 1 + 03+		
Benchmarks									
Treas 2Y	99-23+ / 23 ¹	2.889 / 885	- 01	Roll Analysis-					
Treas 3Y	99-10 ¹ / 11	2.988 / 985	- 02						
Treas 5Y	99-03 / 03 ¹	3.073 / 071	- 03 ¹						
Treas 7Y	98-29 / 29+	3.176 / 173	- 08						
Treas 10Y	97-00+ / 01	3.231 / 229	- 11						
Treas 30Y	92-15+ / 16	3.403 / 402	- 31						
				Cpn		Oct/Nov Rte			
				PSA		B/E Drp B/E Rte B/E PSA			
				3.00		102.00 3.000 9.449 2.316			
				3.50		117.00 3.250 10.280 2.454			
				4.00		161.00 4.000 11.408 2.515			
				4.50		235.00 4.625 12.532 2.620 5322.485			
				5.00		251.00 4.625 13.747 2.965 4728.101			



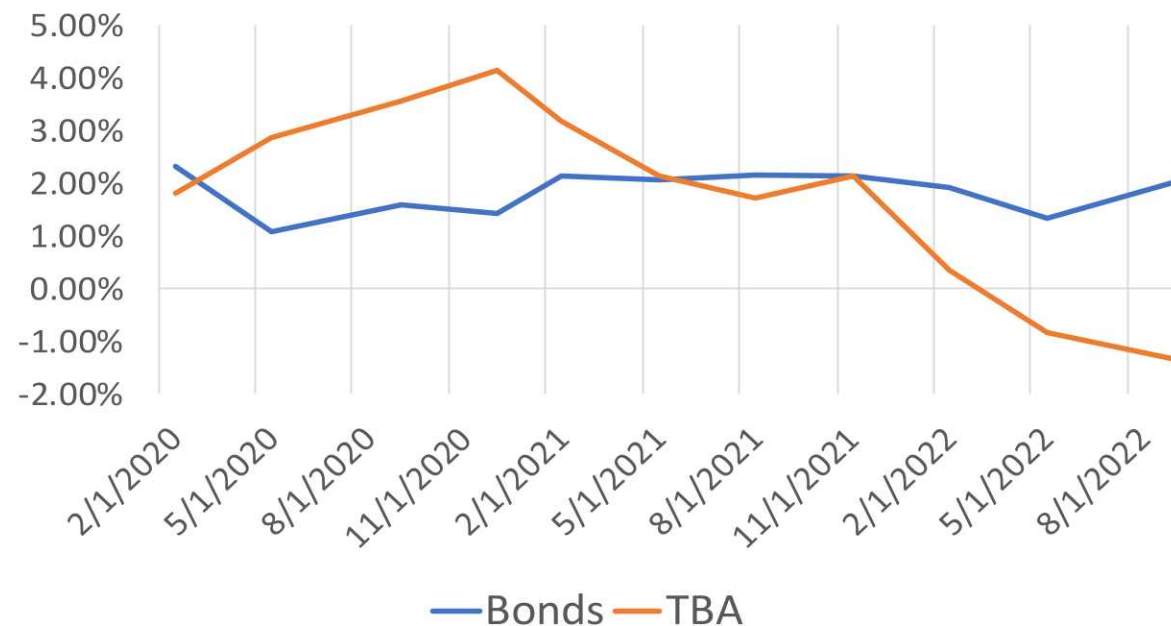
Relative Profitability of Bonds versus TBA

7

100% PSA
Loan
Prepayments



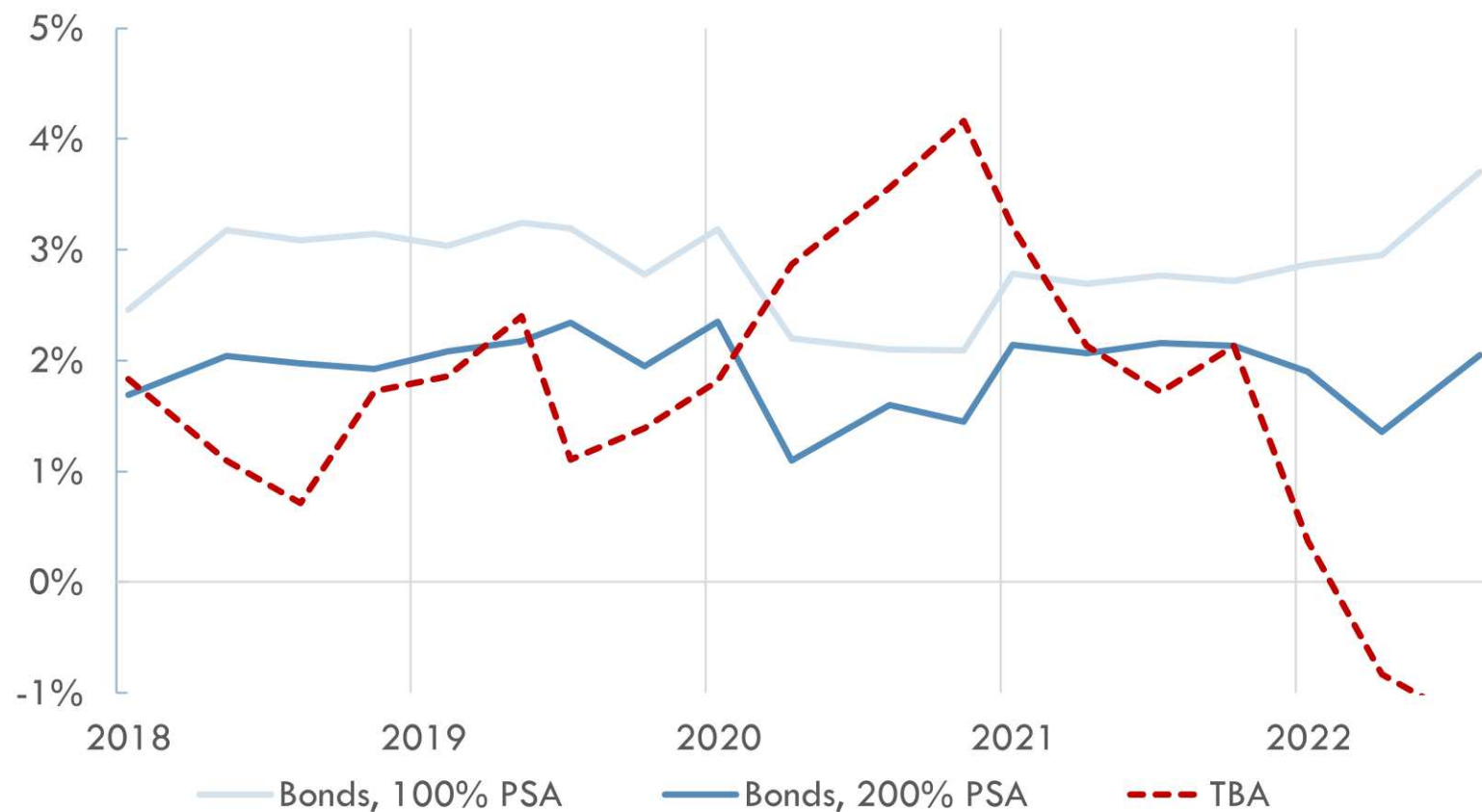
200% PSA
Loan
Prepayments



Relative Profitability of Bonds versus TBA

8

Historical Net Present Value of Bonds and TBA



MFA as viewed by Rating Agencies

9

MFA's Issuer Credit Rating was affirmed by Moody's Investors Service ("Moody's") in June 2020 with a "Aa3" / Stable rating

Strengths noted by Moody's included:

- High asset-to-debt ratio
- High quality of MFA's asset portfolio
- Low risk debt profile (no variable rate debt)
- Well-established risk management policies
- Sound oversight and management

Credit challenges:

- Lower profitability compared to Aa3 rating category peers; "expect trend to reverse"

2021 Moody's Update to Credit Analysis on Single Family Indenture (2005) "Aaa" / Stable:

- "Relatively high asset-to-debt ratio, exceptional security provided by MBS portfolio"

MFA Current Ratings

	<u>S&P</u>	<u>Moody's</u>
Issuer Credit Rating	AA-	Aa3
2005 Indenture	AA+	Aaa*
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	+/-	+/-

Challenges and Opportunities

10

Challenges:

- Affordable housing supply
- Costs to develop new units and affordable homes is high
- Overall market, inflation and interest rate environment is highly volatile
- Private activity volume cap is in greater demand
- Evolving regulatory environment

Opportunities:

- Continued growth as leader in New Mexico mortgage market
- Ability to offer lower loan rates by issuing tax-exempt bonds
- MFA is well positioned to finance its loan programs

Tab 2

New Mexico Housing Strategy: The Strategy

MFA Legislative Oversight Committee

October 14, 2022



Agenda

- Background on strategy development
- Housing challenges the New Mexico Housing Strategy will address
- The Strategy, Action Items
- Moving the plan forward:
Implementation Plan
- Q&A

Strategy Development

Advisory Committee

The Housing New Mexico Advisory Committee is comprised of leaders from across the housing continuum.

They have been asked to:

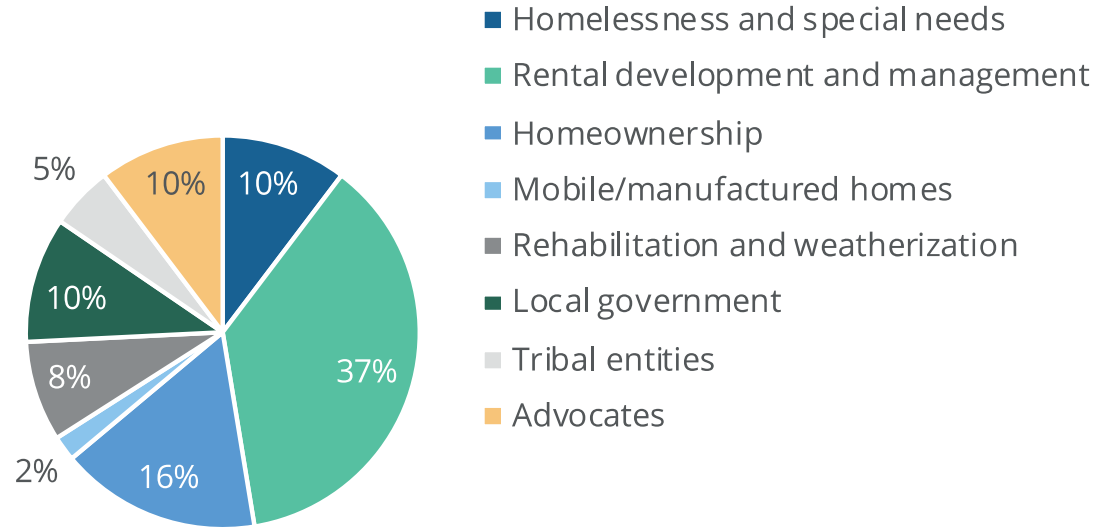
- Engage in collaborative, complex problem solving
- Coalesce around housing priorities for New Mexico
- Provide policy guidance

Advisory Committee Members

Hank Hughes	New Mexico Coalition to End Homelessness
Nicole Martinez	Mesilla Valley Community of Hope
Linda Bridge	National Association of Housing Redevelopment Officials Albuquerque Housing Authority
Steve Grant	New Mexico Apartment Association
Isaac Perez	San Felipe Pueblo
Chris Baca	Yes Housing
Jeff Curry	JL Gray
Jack Milarch	New Mexico Home Builders Association
Alan Fowler	New Mexico Mortgage Bankers Association
Steve Anaya	New Mexico Association of Realtors
Mike Loftin	Homewise
Mark Duran	New Mexico Manufactured Housing Association
Greta Armijo	Jemez Pueblo
Lisa Huval	City of Albuquerque
Natalie Green	City of Las Cruces
Alexandra Ladd	City of Santa Fe
Priscilla Lucero	Southwestern New Mexico Council of Governments
Dr. Neil Bowen	New Mexico Human Services Department
Donnie Quintana	New Mexico Department of Finance and Administration

Stakeholder Engagement

99 stakeholders participated in focus groups and one-on-one discussions



Resident Survey Respondents

RESIDENT SURVEY BY THE NUMBERS

1,398 resident survey participants



490 households with children under 18



172 large households



231 single parents

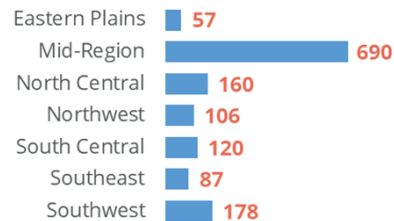


537 households with a member with a disability

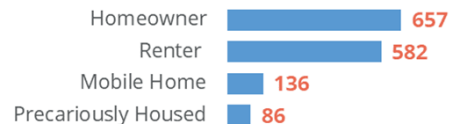


223 households with a member over 65

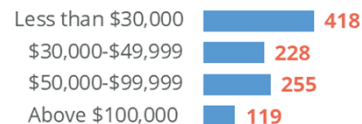
WHERE RESPONDENTS LIVE



HOUSING STATUS



HOUSEHOLD INCOME



IDENTIFIED AS



- **Producing new housing**
- **Preserving** existing housing and **redeveloping** underutilized properties
- **Building homeownership** opportunities
- **Creating housing stability**
- **Advocating** for effective federal housing policies and regulations.



Five Elements of The Strategy

Housing Challenges Addressed by the Strategy

A call to action to:

Create More Housing

- If current development patterns continue, housing unit production in growth counties will lag demand. Accelerated job growth could further exacerbate production gaps.
- Public sector investments in housing—particularly federal funds—have lagged needs for decades, leading to inequities in housing choice.
- Public infrastructure—water and wastewater systems, public utilities—is expensive to extend and can prevent needed housing from being developed.
- High costs of development—due to materials costs, land costs, and labor shortages—complicate the ability to build new housing to meet needs.

A call to action to:

Create More Housing

- Very few contractors operate in the market overall and are drawn to other states with higher production.
- Local zoning, land use regulations, and building codes present a variety of challenges to getting units built.
- Community resistance to all types of new construction—affordable and market rate—prevents needed units from being built or adds significant delays.

A call to action to:

Preserve and Improve Existing Affordable Housing and Catalyze Redevelopment

- New Mexico communities have many under-utilized and vacant properties that could be redeveloped into housing but lack the knowledge, staff capacity, and financial resources to facilitate redevelopment.
- Counties where growth is modest or stagnant have trouble attracting capital.
- It is often less expensive to rehabilitate homes to keep them affordable v. build new—but funding is harder to secure.
- Public housing is aging and has not had resources to keep up with maintenance.

A call to action to:

**Preserve and
Improve Existing
Affordable
Housing and
Catalyze
Redevelopment**

- Private property owners are incentivized to raise their rents to keep up with the market, resulting in a loss of naturally occurring affordable housing.
- Low income homeowners can be at-risk of losing housing due to rising costs of taxes, maintenance, and economic shocks.

A call to action to: Build Homeownership and Wealth

- Down payment/closing cost assistance has not kept up with what is needed to attain homeownership.
- The state residential inspection process delays completion of new homes and adds to building costs.
- Local zoning, land use regulations, and building codes are antiquated in many communities and present a variety of challenges to getting units built.
- Community resistance to all types of new construction—affordable and market rate—prevents needed units from being built or adds significant delays.
- Challenges with manufactured homeownership exist in financing and land acquisition.

A call to action to:

Create Stable Housing Environments for Homeless/ Special Needs Residents

- New Mexico needs to expand its range of evidence-proven and housing+services models, tailored to local needs, to address homelessness.
- Predevelopment funding, developer capacity, deeper subsidies, and adequate and consistent supportive services are needed to create successful exits from homelessness.
- Rural areas need adequate and consistent supportive services for small and scattered site single family homes.

A call to action to:

Create Stable Housing Environments for Homeless/ Special Needs Residents

- Federal requirements and guidance for defining chronic homelessness and assessing needs through the Coordinated Entry System (CES) can be misaligned with local needs.
- Lack of a comprehensive behavioral health care system makes it difficult for housing providers, including private sector property managers, to address the complex needs of tenants.

The Strategy

Strategies to Create More Housing

Goal: Increase housing production across the housing continuum.

- Prioritize existing federal block grant, state, and local infrastructure resources to fund public improvements to support residential development with the most favorable programs for developments that incorporate affordable housing. This includes infrastructure extensions for new (and improvements for existing) manufactured home communities/parks with affordability and lot lease requirements.

Strategies to Create More Housing

**Goal: Increase housing production
across the housing continuum.**

- Take state policy action to boost residential construction workforce, such as partnerships with technical education and training providers, streamlined licensing, and opportunities for re-entry workforce and persons formerly homeless.
- Advocate for increased local, state, and federal appropriations, revenue generating policy changes benefiting affordable housing, and tax exemptions for affordable housing development and operation.

Strategies to Create More Housing and Build Homeownership

Goal: Create flexibility within state and local programs and policies to respond to housing needs and market fluctuations.

Advocate for concrete changes to state law to reduce regulatory barriers to housing development. Examples of changes considered or adopted in other states and localities that could be studied include:

- Incentivize and/or require that planning commissions consider housing needs documented in local or regional housing needs assessments when making zoning and land use decisions;
- Incentivize and/or require that economic development incentives, such as those offered through LEDA, include a workforce housing component for production and/or preservation;
- Incentivize by right or administrative approval for developments with a significant share of affordable units including casitas/ADUs and plexes;

Strategies to Create More Housing and Build Homeownership

Advocate for concrete changes to state law to reduce regulatory barriers to housing development. Examples of changes considered or adopted in other states and localities that could be studied include:

- Allow density bonuses and/or fast track approval for homes that meet energy efficiency requirements (to offset higher costs of green building);
- Create a model development code that includes feasible land use incentives for affordable housing, mixed-income housing, and mixed-use development;
- Create an incentive program that provides funding to local governments that adopt policies that facilitate flexibility and efficiency in development approval, infill development, income-diverse development, and efficient zoning. Funding could be used for: community revitalization, economic development, or infrastructure expansion activities;
- Create a program to mitigate resistance to affordable housing at the local level, including training to build community awareness and support of needs

Strategies to Build Homeownership

Goal: Create flexibility within state programs and policies to respond to housing needs and market fluctuations.

- Streamline the local and state residential inspection processes to make the system more efficient, practical, and timely—e.g., by allowing video inspections, allowing third party contractors—while preserving public health and safety objectives.
- Seek funding sources that allow for down payment assistance programs to adequately meet the needs of consumers and explore programs to support their success as homeowners.

Strategies to Build Homeownership

Goal: Create flexibility within state programs and policies to respond to housing needs and market fluctuations.

- Explore and advocate for innovative homeownership programs to expand wealth building opportunities, including extended mortgage terms, accelerated mortgage terms, and land trust models.
- Explore and advocate for programs aimed at maintaining homeownership.
- Explore financial capability programs to expand access to homeownership and wealth building.

Strategies to Build Homeownership

Goal: Ensure that manufactured homes continue to be a housing solution for homeowners and renters

- Make changes to the process of converting chattel property to real property consistent across New Mexico's counties.
- Explore and pilot a MFA manufactured home purchase program to assist in the conversion to real property loans and facilitate manufactured homeownership.
- Fund infrastructure extensions for new (and improvements for existing) manufactured home communities/parks with affordability and lot lease requirements

Strategies for Preservation and Redevelopment

Goal: Catalyze the potential of underutilized properties to be redeveloped into new housing.

- Create a comprehensive technical assistance (TA) fund, a resource catalogue, and access to TA providers to assist with redevelopment of underutilized and vacant parcels and address staff capacity gaps. Provide funding to improve the condition of existing affordable housing, including public housing

Strategies for Preservation and Redevelopment

Goal: Preserve existing naturally occurring affordable housing and publicly subsidized housing stock.

- Support preservation and provide funding to improve the condition of existing affordable housing; and consider prioritizing projects owned and/or managed by public, regional and tribal housing authorities.
- Reconsider how new funding sources for weatherization and rehabilitation funds could be allocated to ensure that the funding distribution aligns with needs (v. population based distribution).
- Monitor the Qualified Allocation Plan (QAP) to ensure that 9% credits adequately support multifamily acquisition/rehabilitation.

Strategies for Housing Stability

Goal: Build assurance among property owners and property managers of the economic feasibility of housing formerly homeless and special needs residents.

- Incentivize landlords—through a “signing bonus,” “holding fees” while they wait for a voucher approval, enhanced loss mitigation, and subsidies to pay rents above fair market rent standards—to provide units to vulnerable renters.

Strategies for Housing Stability

Goal: Build assurance among property owners and property managers of the economic feasibility of housing formerly homeless and special needs residents.

- Create a permanent housing stability fund serving renters who need help paying rental costs (including application fees and security deposits), households who do not qualify for housing through the Coordinated Entry System (CES), homeowners vulnerable to foreclosure, and manufactured home park owners who face personal situations (job losses, injuries) that create challenges in paying lot leases.
- Create a case management program to assist vulnerable housing voucher holders apply for housing and maintain housing stability.

Strategies for Homeless/ Special Needs

Goal: Expand successful housing+services models tailored to local needs.

- Provide annual funding for predevelopment grants to cultivate Permanent Supportive Housing (PSH) development partners and build local developer and supportive service provider capacity. Funding would support capacity building/local support, needs assessments, zoning and planning review, architecture and engineering, and development application.
- Increase collaboration between service providers and property managers through training and technical assistance that results in successful housing of PSH clients.

Strategies for Homeless/ Special Needs

Goal: Expand successful housing+services models tailored to local needs.

- Expand funding for the Linkages program to ensure that New Mexicans with mental health challenges, are experiencing or at-risk of homelessness, and are extremely low income have the resources needed to remain in stable housing environments.
- Address the operating subsidy deficits common in PSH projects through encouraging PHA's to project-base vouchers and by exploring options to project-base the Linkages program.

Strategies for Homeless/ Special Needs

Goal: Expand successful housing+services models tailored to local needs.

- Evaluate how the Coordinated Entry System (CES) could be tailored through state and local programs so that vulnerable households are prioritized in an equitable manner. Advocate for state and local solutions to ensure that the most vulnerable households are able to fill gaps in emergency housing. This would include households in first-time homelessness and/or who are housed but in unsafe situations.

Strategies for Homeless/ Special Needs

Goal: Strengthen supportive service programs that foster housing stability.

- Increase service provision funding options for PSH developments. Examine how Medicaid waivers could be used for supportive services, allowing supportive service providers to be reimbursed at a rate that can sustain programming and operations.
- Support actions to strengthen statewide behavioral health system including satellite care facilities.

Strategies for Homeless/ Special Needs

Goal: Strengthen support for emergency homelessness interventions.

- Advocate for increased state and local appropriations to support emergency homeless shelters and other immediate interventions, including funding to improve the conditions of shelters.

State and Federal Advocacy

A Call to Action for Federal Advocacy to Increase New Mexico's Affordable Housing Resources

Broaden the Low Income Housing Tax Credit (LIHTC) program

- The Affordable Housing Credit Improvement Act (S.1136/H.R. 2573), introduced in 2021, would have increased LIHTC allocations by 50% and enabled the credit to better serve “hard to reach” communities including rural, Native American, high-poverty, and high-cost communities, as well as extremely low income (<30% AMI) and formerly homeless tenants.

A Call to Action for Federal Advocacy to Increase New Mexico's Affordable Housing Resources

Create equitable opportunities to attain homeownership and build wealth

- The Neighborhood Homes Investment Act, introduced in 2021, would have established a business-related tax credit to finance home building and rehabilitation of single family homes, du-/tri-/fourplexes, condominiums, and cooperatives in neighborhoods that meet certain eligibility criteria related to poverty rates, income, and home values.

A Call to Action for Federal Advocacy to Increase New Mexico's Affordable Housing Resources

Maximize federal appropriations for affordable housing programs

- HUD, USDA, and Department of Energy housing programs are classified as discretionary programs, meaning that Congress must set annual funding levels through the budget and appropriations process.
- Maximizing the annual appropriations for affordable housing programs will benefit both urban and rural New Mexico communities.
- Advocate for HUD training and technical assistance for Tribal governments who are new to housing developments and need capacity building to utilize and maximize federal and state funding.

A Call to Action for Federal Advocacy to Increase Housing Production

Streamline federal regulations related to affordable housing policies and programs

- Support efforts of trade associations, such as the National Council of State Housing Agencies (NCSHA), to reduce administrative burden and regulatory barriers in federal housing and community development block grant programs.
- Advocate for changes in tenant based rental assistance programs, including Fair Market Rent and income limits, to expand the number of available rental units and not penalize tenants when they acquire employment.

A Call to Action for Federal Advocacy to Increase Housing Production

Support federal initiatives to lower housing development costs

- Support tariff reductions on Canadian lumber
- Support programs that add flexibility for non-domestic workers.

Moving the Plan Forward

Implementation

Subcommittee Meetings

- Subcommittees will be formed for all of the Plan areas
- Subcommittees will meet to execute the actions that support each strategy
- This work will be informed by a working Implementation Plan

The full AC will meet 2x per year to check in on implementation, discuss strategies

Implementation Plan

Implementation Plan Components

- Goals and Strategies
- Housing Challenge Addressed
- Funding Sources
- Course of Action
- Leads and Partners
- Timeframe
- Outcomes
- Resources

Q&A

thank you

Tab 3



New Mexico Housing Trust Fund – Housing Development

The New Mexico Housing Trust Fund was created in 2005 to invest in the construction or substantial rehabilitation of affordable housing. Since that time, New Mexico taxpayers have realized a tremendous return on their investment in affordable housing. Importantly, investment in housing is investment in our economy, education, and health. Further, since the passage of SB 27 during the 2021 Legislative Session, MFA may now use these funds for more types of housing activities and has invested in rental and homeowner payment assistance as well as emergency home repair.

The New Mexico Housing Trust Fund has grown from approximately \$27 million¹ in appropriations to over \$38 million as a result of interest earned over the years. Through a competitive application process, MFA has awarded nearly \$63 million, including the state's \$27 million investment, interest income and loan repayments, to 67 housing projects totaling 4,791 housing units. Additionally, MFA has awarded nearly \$1.6 million for housing assistance as well as emergency repairs to 351 households. These impressive developments have leveraged approximately \$754 million in other funding sources: that's a 28-to-1 return on the state's initial investment.

To date, the New Mexico Housing Trust Fund has awarded nearly \$63 million to build or rehabilitate 4,791 housing units. In the process, MFA has leveraged approximately \$754 million in other funding sources, a 28-to-1 return on the state's \$27 million investment.

Legislative Appropriations Received to Date ¹	\$27,050,000
Loan Interest	\$ 4,129,140
<u>Net Investment Interest Received</u>	<u>\$ 7,083,959</u>
Total	\$38,263,100
Minus Funds Outstanding	-\$30,072,843
<u>Other Programs (Non-Housing Development)</u>	<u>-\$ 3,307,819</u>
Available for Development Awards as of 06/30/22	\$ 4,882,438

*Loan principal payments total \$34,578,666 as of 06/30/22

	Total Units	Low Income Units	Moderate Income Units	Market Rate Units	Dollars	% of Total Housing Dev. Loans	Leverage
Single Family New Construction	314	153	22	139	\$7,900,561	13%	\$52,076,516
Single Family Rehabilitation	30	30	-	-	\$160,679	<1%	\$160,679
Multifamily New Construction	2,863	2,581	117	164	\$36,002,930	57%	\$497,572,750
Multifamily Rehabilitation	1,584	1,530	-	54	\$18,776,680	30%	\$204,091,432
Totals	4,791	4,294	139	357	\$62,840,850	100%	\$753,856,377

¹ Total appropriations in executed grant agreements as of Fiscal Year End 2022.



New Mexico Housing Trust Fund –State and Federal Appropriations Programs

MFA received \$34 million in funding during the 2021 Special and Regular Legislative Sessions including American Rescue Plan Act Coronavirus State and Local Fiscal Relief Funds (SLFRF) and Capital Outlay, of which \$20.25 million was allocated to housing development. The remaining \$13.75 million will be utilized for programs created by MFA to support homeownership.

Use	Funding Source		Allocation	Impact
Emergency Repair and Weatherization Program	CSLFRF I	2021 Special Legislative Session	\$3,750,000	This program will close existing gaps created by limitations of current funding sources to address emergency repairs. Households could receive up to \$37,000 for energy efficient repairs including roof repair and replacement, plumbing leaks, heating and cooling systems, water heater issues, broken windows, ramps and environmental modifications, well and no water issues, and structural problems.
Down Payment Advantage Program	CSLFRF II	2022 Regular Legislative Session	\$8,000,000	This program will provide \$25,000 grants for down payment assistance to households earning up to 300% of the Federal Poverty Level. This program can assist 320 households.
Acquisition, Rehab, Resale Program	Capital Outlay	2022 Regular Legislative Session	\$2,000,000	<p>This program will provide funding for the acquisition and rehabilitation of single-family homes to support homeownership opportunities for low and moderate-income households.</p> <p>In addition to the Capital Outlay funding, MFA is leveraging an additional \$2,000,000 for line of credit financing for rehabilitation.</p>



New Mexico Housing Trust Fund – Recurring Funding Update

Background:

- Senate Bill 134, during the 55th Legislature- 2nd Session, 2022
- Introduced by Senator Nancy Rodriguez and Representative Nathan P. Small
- Enables the NMHTF to receive recurring funding

Areas of Interest:

- Relating to public finance
- Allocating 2.5% of the Severance Tax Bonding Capacity
- MFA shall certify to the State Board of Finance the need for issuance of notes
- Any unencumbered balance from proceeds of severance tax bonds issued after three years shall revert to the severance tax bonding fund

New Mexico Recurring Housing Trust Fund Implementation Plan

Purpose: To provide flexible funding for housing initiatives in order to produce and preserve significant housing investments in New Mexico.

Objective: Implement the recurring funding model in support of affordable housing program activities

Status: MFA is on track to implement Senate Bill 134 by Fiscal Year 2024

- Initial research and analysis has been conducted
- Initial coordination has started with legal, DFA, SBOF and internally with MFA
- Implementation Plan has been drafted and is being considered

Validate Eligible Activities (Focal Point to implementing SB 134) :

Finalized Legal Counsel Opinion

- On September 21, 2022, MFA received a Legal Counsel Opinion affirming that most MFA affordable housing activities are eligible under the NMHTF Act
- Met with DFA and the SBOF to convey the legal opinion, and they are planning to vet through their legal counsel and team experts. However, they see no immediate issues or concerns.

Forecast Requirement

- Consider all eligible activities and certification process

Tab 4

Legislative Oversight Committee Meeting

Manufactured Housing Program Update

October 14, 2022



NOTE: This presentation is intended for internal use and is not to be shared with consumers.



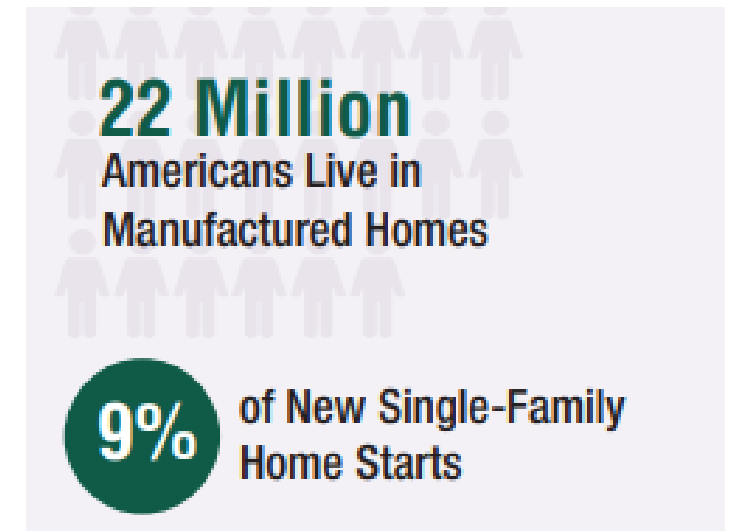
New Mexico Manufactured Housing Association (NMMHA)

Mark Duran, NMMHA Executive Director

- Modern Manufactured Homes
- Advantages of Manufactured Homes
- Manufactured Housing in New Mexico



Source: Manufactured Housing Institute

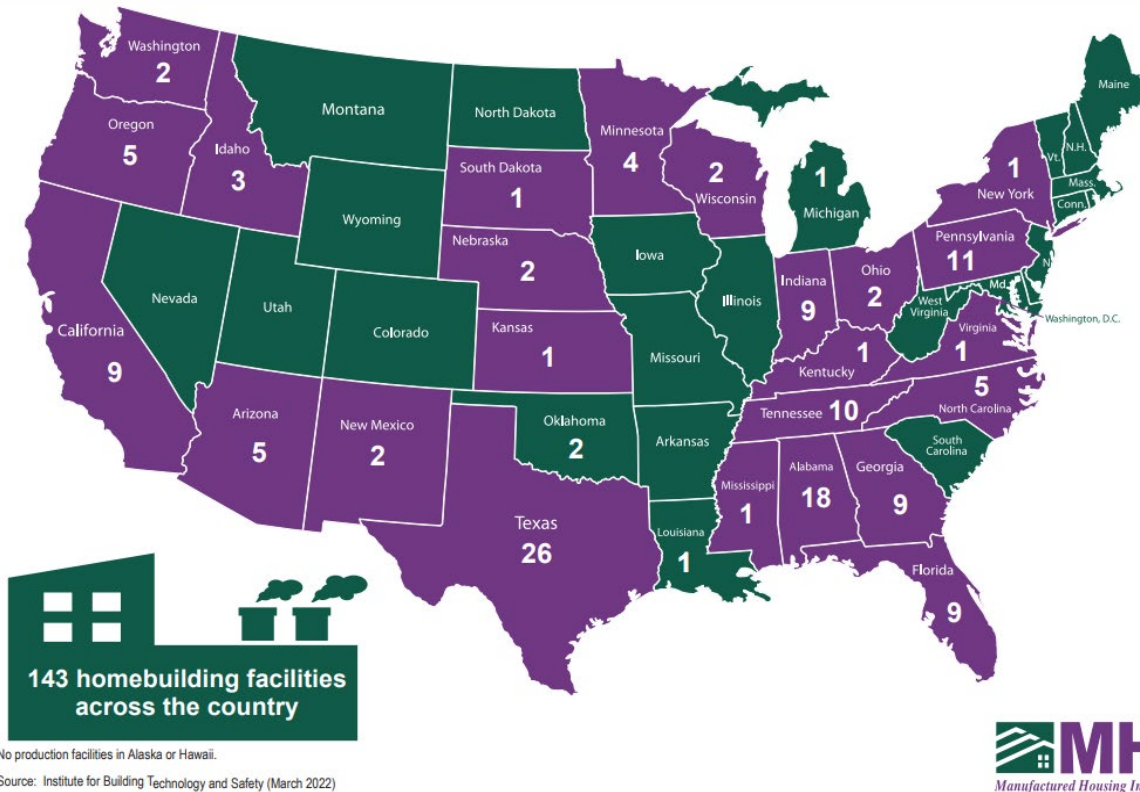


Source: Manufactured Housing Institute

NOTE: This presentation is intended for lenders and is not to be shared with consumers.

Manufactured Production by State

MANUFACTURED HOME PRODUCTION IN THE UNITED STATES: Homebuilding Facilities by State



Presently there are two manufacturers in New Mexico; Karsten Homes in Albuquerque and Solitaire Homes in Deming

NOTE: This presentation is intended for lenders and is not to be shared with consumers.

MFA Manufactured Housing Initiatives Timeline - 2019

- In 2019 our focus centered on improving the loan review timeframes. We identified that our current technology was unable to support several of our initiatives.
- Annual lender trainings and exceptions to support underserved areas continued
- In conjunction with a participating lender and Oakwood Homes, a tri- party partnership formed to develop a pilot program for a home and land package.

MFA Manufactured Housing Initiatives Timeline - 2020

- Enter 2020 COVID-19 Pandemic
- MFA's focus and priorities shifted to address the housing needs that were a direct result of the COVID 19 pandemic.

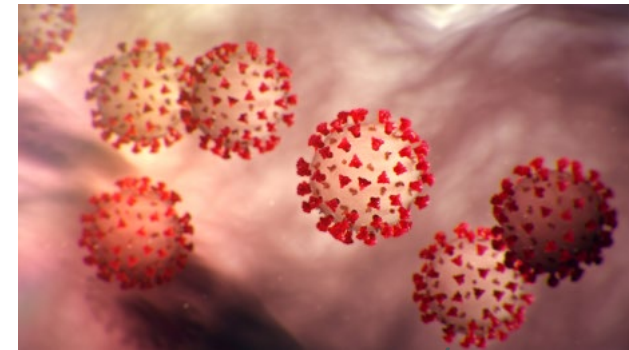


Image Credit: [cdc.gov/media/dpk/](https://www.cdc.gov/media/dpk/)

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MFA Manufactured Housing Initiatives Timeline - 2021

- 2021 “The New Norm”
- Manufactured Housing topics presented at Board Retreat
- MFA joins as a member of the New Mexico Manufactured Housing Association
- Annual lender training resumes in a virtual environment



Image Credit: bohmma/shutterstock.com

MFA Manufactured Housing Initiatives Timeline 2022

- On October 1st MFA single family programs were updated to allow single section homes that meet current agency and GSE guidelines.
- Collaboration with New Mexico Manufactured Housing Association remains ongoing

Questions?



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