

# New Mexico Mortgage Finance Authority



**MFA**

*Housing New Mexico*

**Legislative Oversight Committee**

**October 21, 2021**



# **New Mexico Mortgage Finance Authority**

## **October 21, 2021**

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Tab 1



# MFA Single-Family Mortgage Programs

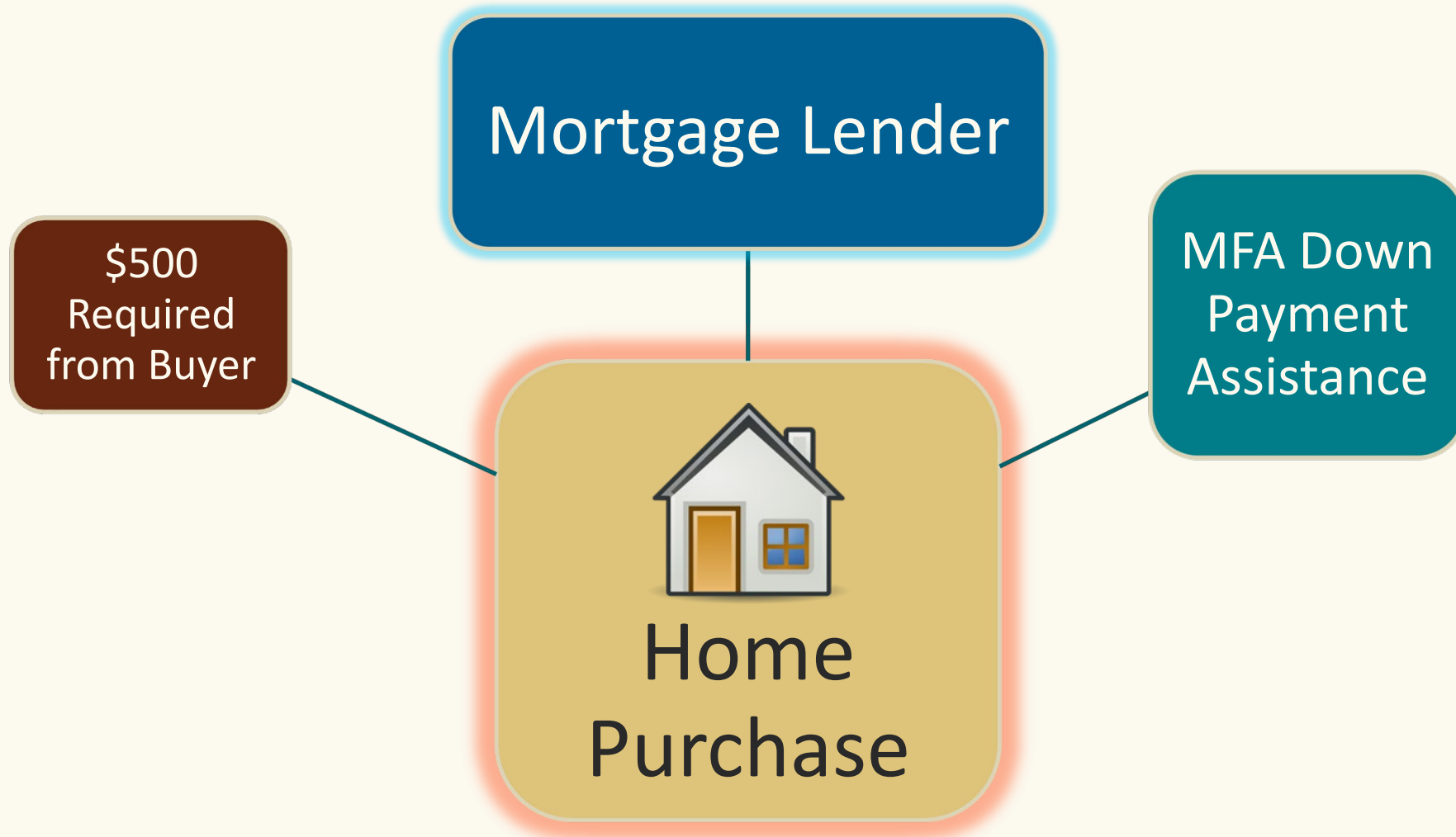
Jeff Payne, Chief Lending Officer

Legislative Oversight Committee Meeting  
October 21, 2021

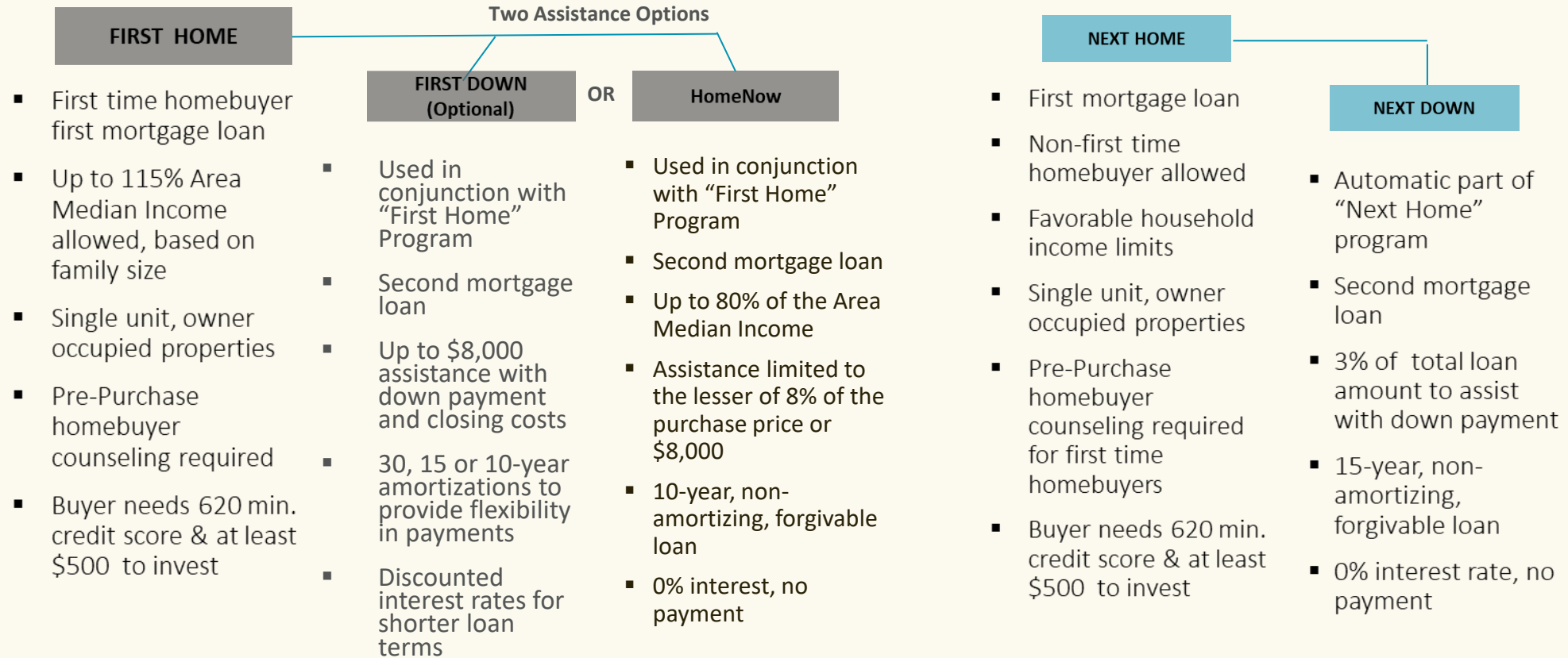
# Housing Continuum



# Home Purchase Financing with MFA



# Homeownership Programs



# First Time Homebuyer Requirements

## Basic Borrower Requirements

### First Home and First Down Income Limits

Current gross annual household income may not exceed limits listed below unless the homebuyer is planning to purchase a home in a targeted area.

Counties / by Family Size	1 to 2 Person Household	3 or More Person Household
Albuquerque MSA (Bernalillo, Sandoval, Torrance, Valencia)	\$69,949	\$80,442
Farmington MSA (San Juan)	\$71,509	\$82,236
Santa Fe MSA	\$82,346	\$94,69
De Baca County	\$69,120	\$80,640
Eddy County	\$72,900	\$83,835
Lea County	\$71,129	\$81,799
Lincoln County	\$71,509	\$82,236
Los Alamos County	\$127,800	\$146,970
Union County	\$66,360	\$81,480
All Other Areas and Counties of the State	\$65,520	\$76,440





# First Time Homebuyer Requirements

## Property Types

### First Home and First Down Purchase Price Limits

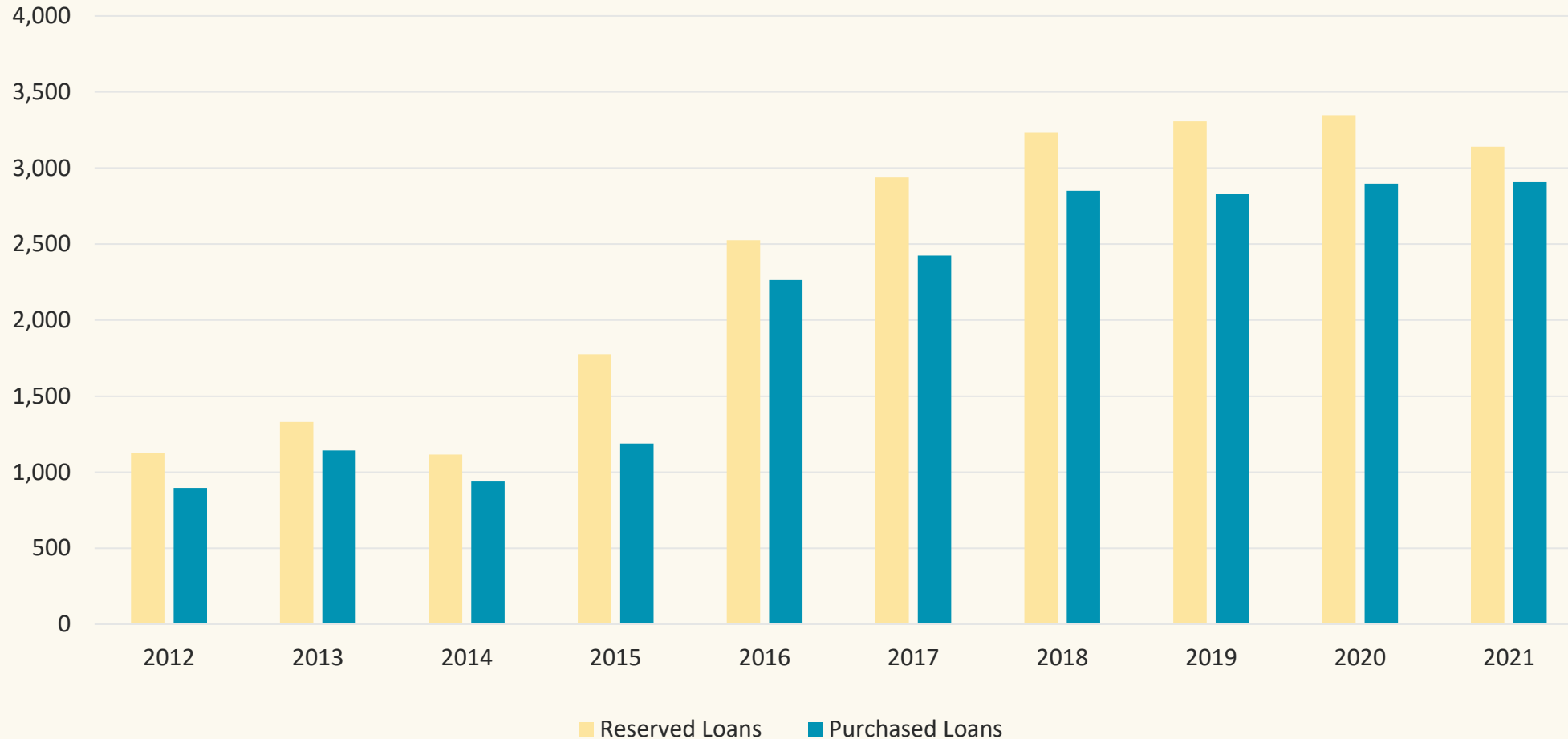
Residences financed can include single-family detached homes, townhomes, condominiums, homes in planned unit developments, and permanently attached, multiwide manufactured homes that are assessed as real property. Total home purchase price may not exceed the limit listed below, unless the home is in a targeted area.

Area	Purchase Price Limits
Santa Fe County	\$362,439
Los Alamos County	\$433,920
Catron County	\$351,365
All Other Areas and Counties of the State	\$311,980



# MFA's Strong Single Family Loan Activity

Loan Reservations vs Loan Purchases by Fiscal Year (In Units)



# Homeownership Programs

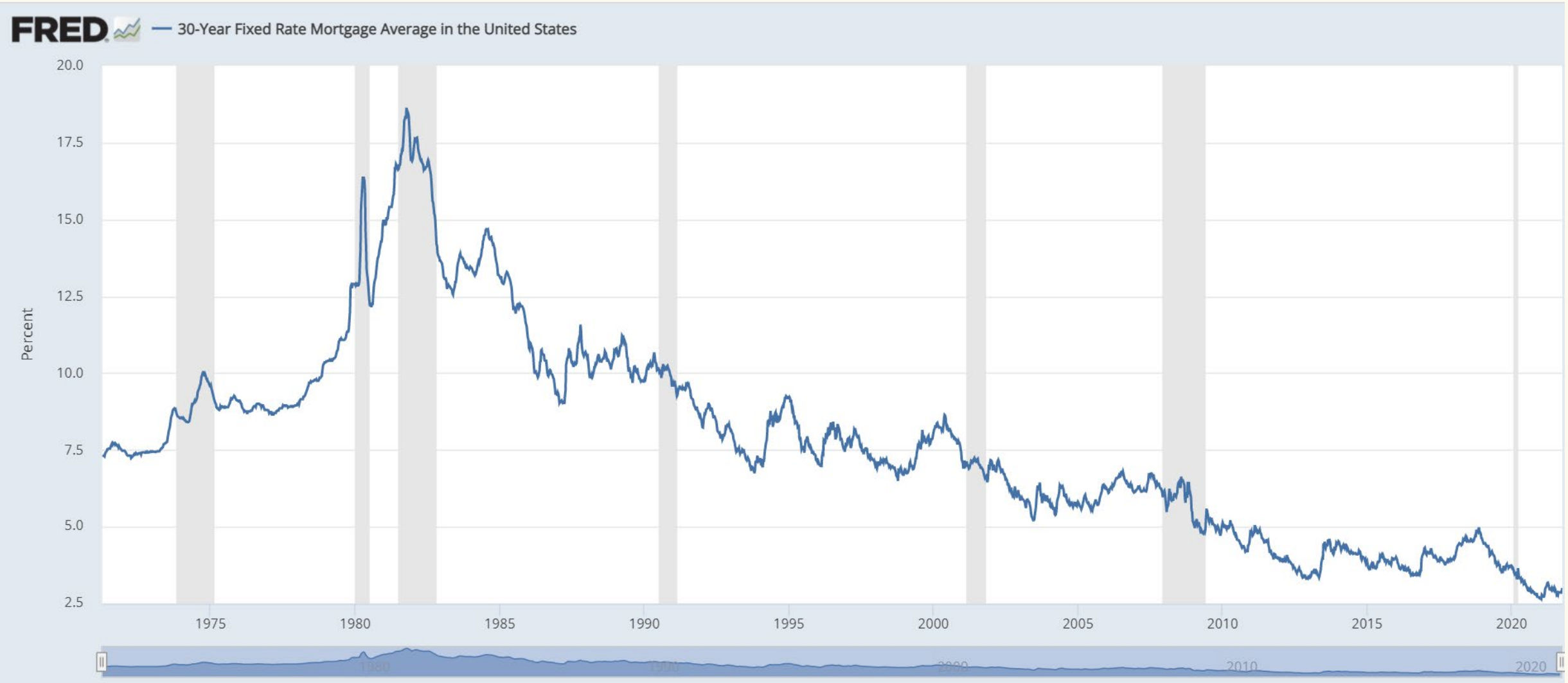
Borrower Demographics	Fiscal Year-to-Date 2021 (10/01/2020 - 8/31/2021)
Average Sales Price	\$186,874
Average Loan Amount	\$182,655
Average Down Payment Assistance Amount	\$7,264
Average Household Income	\$56,769
Average Family Size	2.6-person household
Ethnicity	62.62% Minority
Average Borrower Age	34 years old
Average Number of Dependents	1 dependent
Primary Borrower Gender	44.92% female/ 53.50% male
Average FICO score	683

# Program Demographic Trends

	Fiscal Year 2019	Fiscal Year 2020	Fiscal YTD 2021
Average Sales Price	\$156,787	\$165,631	\$186,874
Average Loan Amount	\$152,974	\$164,428	\$182,655
Average Down Payment Assistance	\$6,675	\$6,675	\$7,264
Average Household Income	\$51,655	\$52,284	\$56,769
Average Household Size	2.6 persons	2.6 persons	2.6 persons
Percent Minority	47.52 %	43.53%	62.62%%
Average Borrower Age	36 years old	34 years old	34 years old
Average Number of Dependents	1 dependent	1 dependent	1 dependent
Primary Borrower Gender	45.40% female /54.60% male	46.89% female/53.11% male	44.92% female/ 53.50% male
Average FICO score	678	679	683

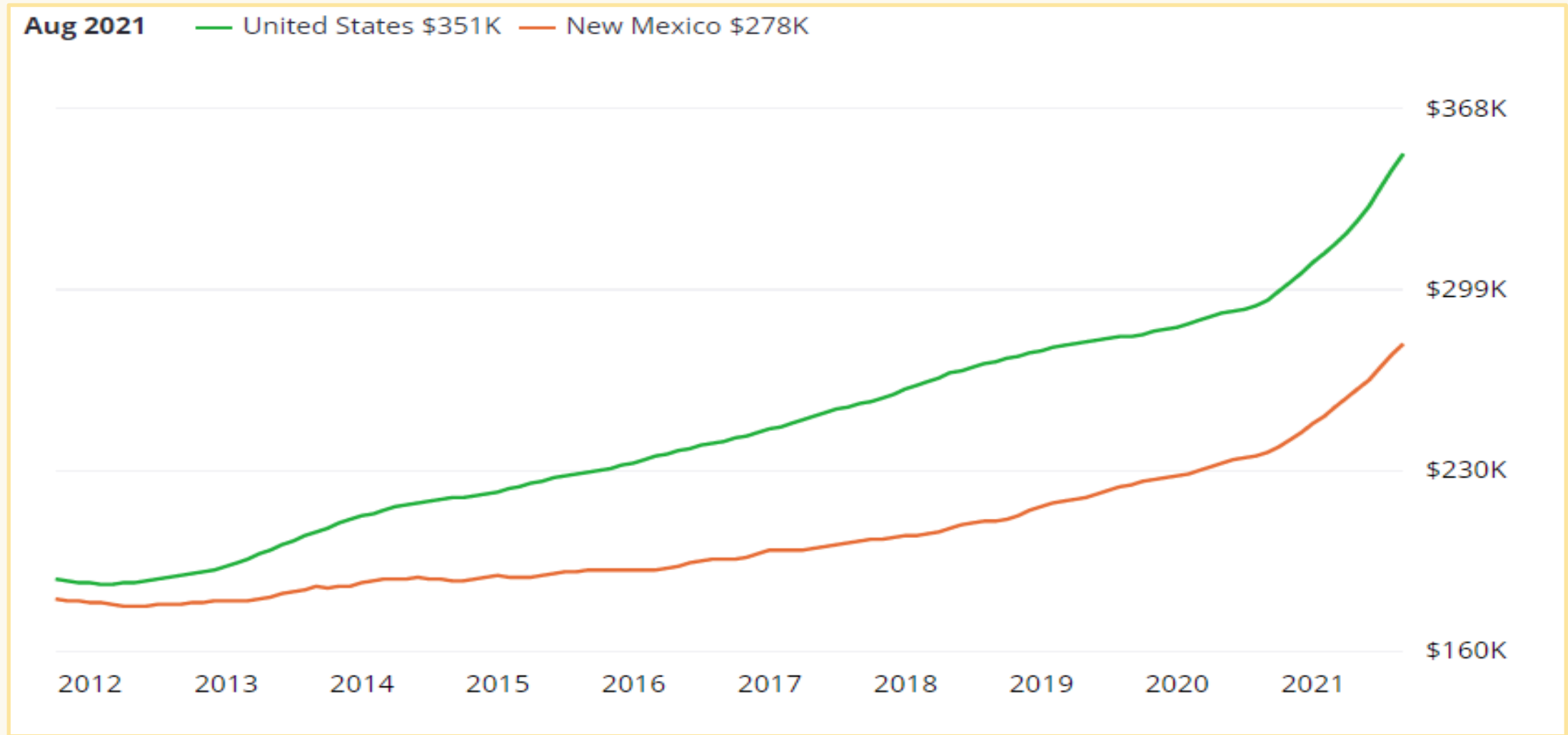
# Historic Mortgage Interest Rates

1971-2021



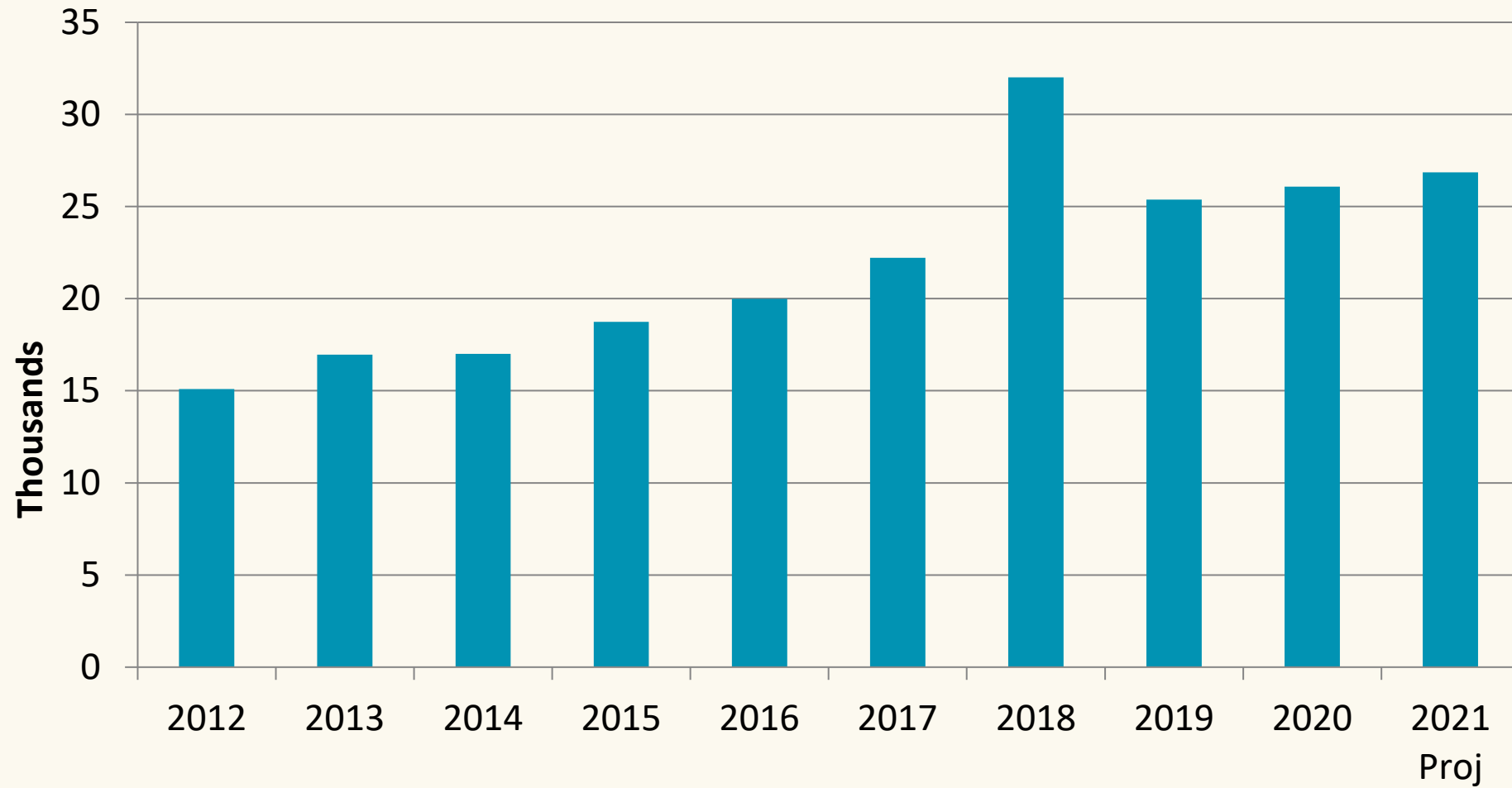
Federal Reserve Bank of ST Louis; Source: Freddie Mac

# United States vs New Mexico Home Price Increases



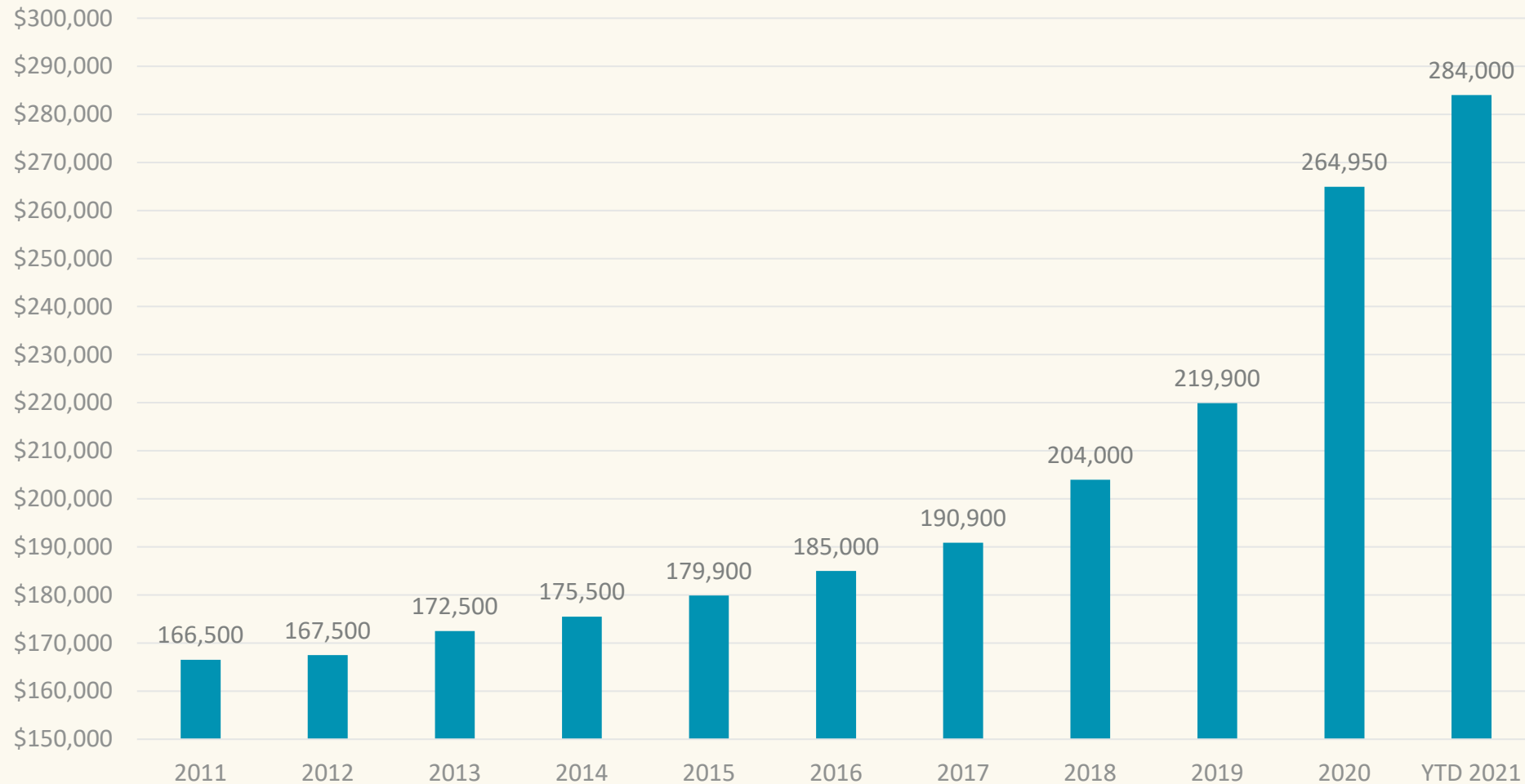
Source: Zillow.com/nm/home-values

# New Mexico Annual Home Sales



*New Mexico Association of Realtors Housing Reports*

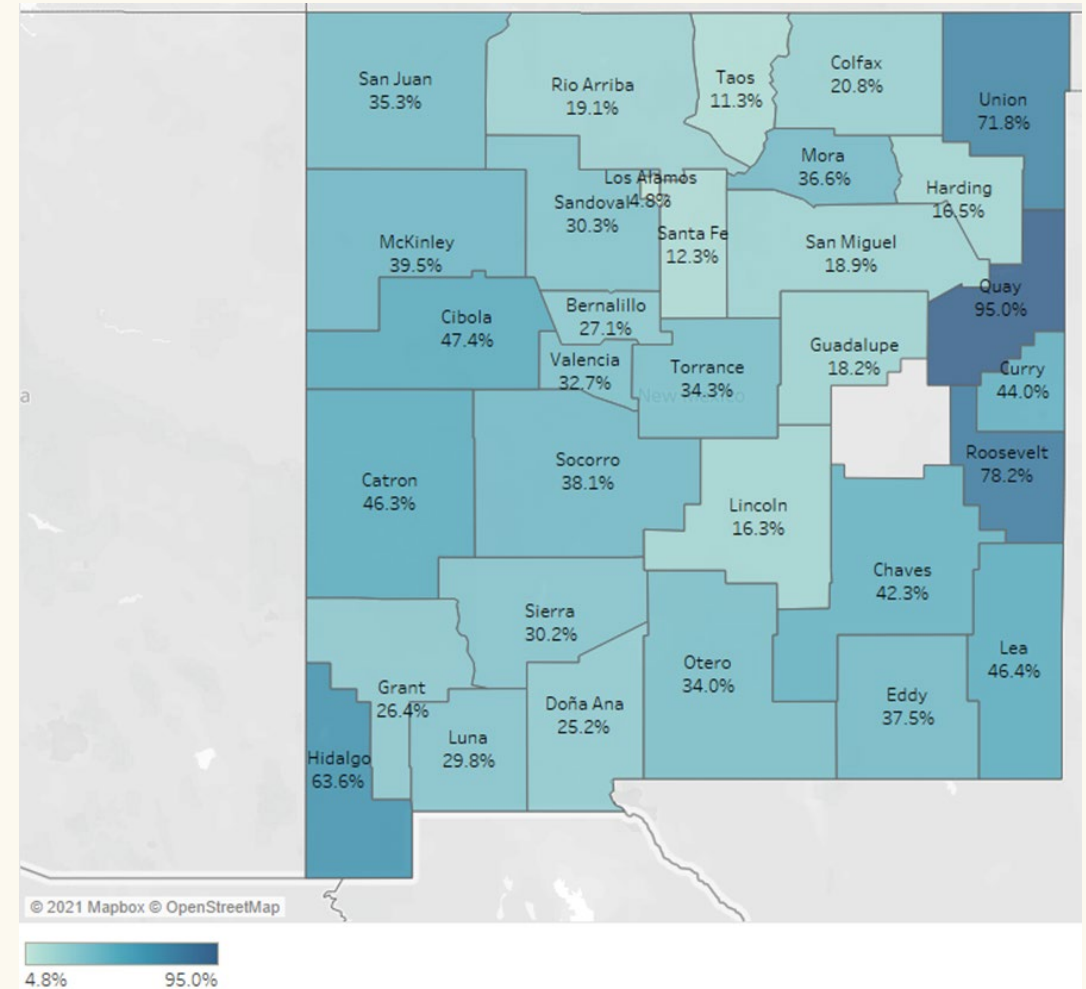
# Median Home Sales Price





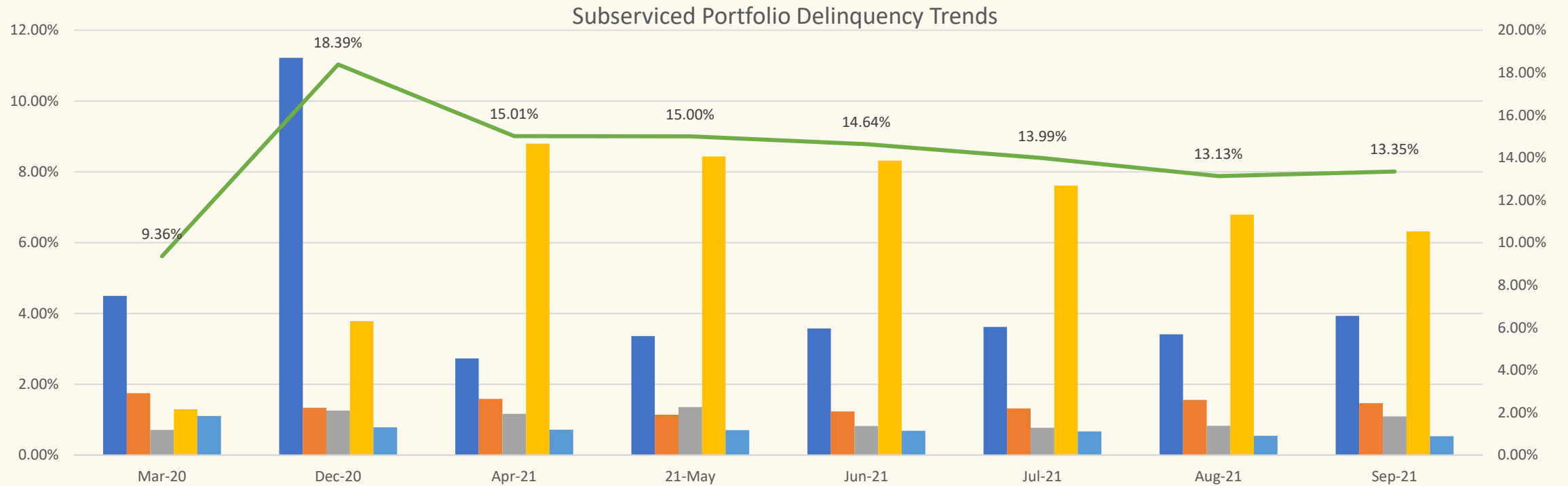
# First-Time Homebuyer Affordability

- The percentage of renters who can afford a median-priced home is a good measure of affordability, because most homes are purchased by people who are currently renting.
- Based on data from 2020, the median sale price in New Mexico was \$240,000. Counties with the highest median sale price include Santa Fe (\$435,000), Los Alamos (\$414,750) and Taos (\$337,000).
- Poor affordability is partly driven by a limited supply of Single family homes. Homebuyers may have access to credit but struggle to find a home within their budget.



Source: New Mexico Association of Realtors 2019 Market Report and MFA Calculation

# MFA Delinquency Trends



# New Mexico Mortgage Finance Authority

## Questions and Comments



# Tab 2

## New Mexico Housing Trust Fund

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 \$22 million in appropriations<sup>1</sup> to over \$34 million as a result of interest earned over the years. Through a competitive application process, MFA has awarded over \$64 million, including the state's \$22 million investment, interest income and loan repayments, to 65 housing projects totaling 4,532 housing units. Further, over \$3.3 million in COVID-19 assistance has been or will soon be provided to 417 households. These impressive developments have leveraged approximately \$698 million in other funding sources: that's over a 31-to-1 return on the state's initial investment!

*To date, the New Mexico Housing Trust Fund has awarded more than \$64 million to build or rehabilitate 4,532 housing units and has or will provide COVID-19 assistance to 417 households. In the process, MFA has leveraged \$698 million in other funding sources, a 31-to-1 return on the state's \$22 million investment.*

Legislative Appropriations Received to Date	\$22,050,000
Loan Interest	\$ 3,758,503
<u>Net Investment Interest Received</u>	<u>\$ 8,514,312</u>
<b>Total</b>	<b>\$34,322,815</b>
Minus Funds Outstanding	-\$29,541,593
Minus COVID Rental Assistance	-\$ 196,260
Minus Emergency Repair Program	-\$ 1,075,000
<u>Minus COVID Emergency Repair and Homeowner Assis.</u>	<u>-\$ 2,036,559</u>
<b>Available for Development Awards as of 9/30/21</b>	<b>\$ 1,473,403</b>

\*Loan principal payments total \$32,707,111 as of 9/30/21

	Total Units	Low Income Units	Moderate Income Units	Market Rate Units	Dollars	% of Total	Leverage
Single Family New Construction	314	153	22	139	\$7,900,561	12%	\$52,076,516
Single Family Rehabilitation	30	30	-	-	\$160,679	<1%	\$160,679
Multifamily New Construction	2,604	2,336	110	157	\$34,002,930	52%	\$442,307,724
Multifamily Rehabilitation	1,584	1,530	-	54	\$18,776,680	29%	\$204,091,432
COVID-19 Assistance <sup>2</sup>	417	171	246	-	\$3,307,819	5%	-
MFA Administration	-	-	-	-	\$1,407,856	2%	-
<b>Totals</b>	<b>4,949</b>	<b>4,220</b>	<b>378</b>	<b>350</b>	<b>\$65,556,524</b>	<b>100%</b>	<b>\$698,636,351</b>

<sup>1</sup> This figure does not include 2021 Session appropriations as MFA has not received grant agreements.

<sup>2</sup> Estimated 246 households will receive homeownership payment assistance and 82 households will receive emergency repair assistance as these programs are currently in process. 89 households were provided rental assistance.

# Tab 3

# New Mexico Mortgage Finance Authority

## Legislative Oversight Meeting

October 21, 2021



Capital  
Markets

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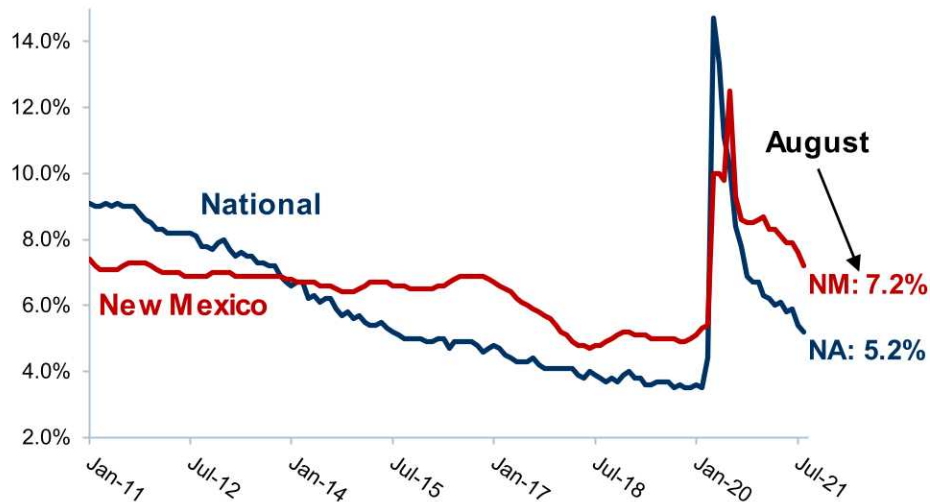
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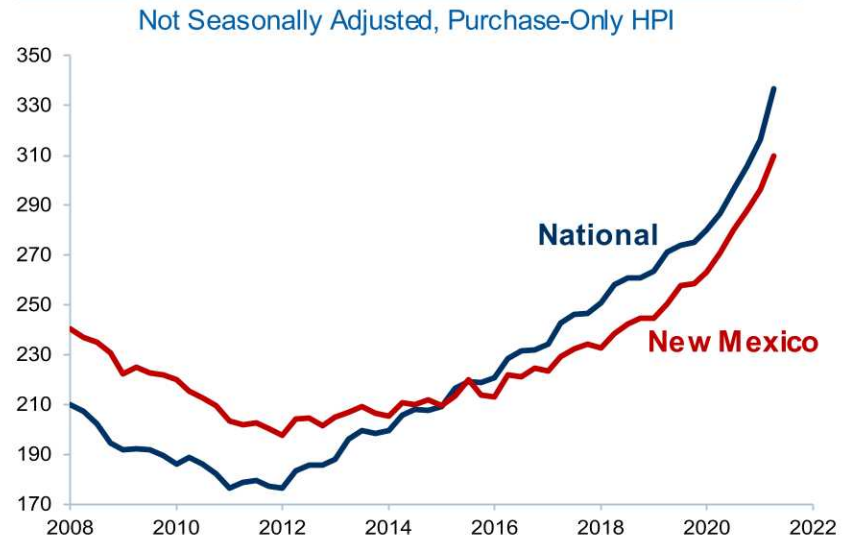
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## Unemployment Rates



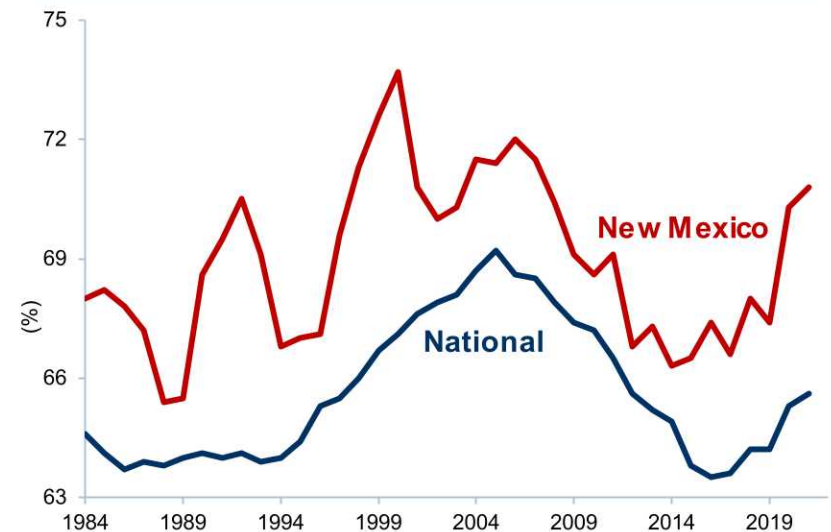
## FHFA House Price Index



## Trend in New Mexico

- Unemployment rate decreased from 7.6% in July to 7.2% in August 2021 in New Mexico, above the U.S. rate @ 5.2%
- Home prices continued to rise in 2021\*
  - NM Median Home Value \$253,790 (17.8% YOY Increase)
  - National Median Home Value \$303,288 (17.7% YOY Increase)
- Homeownership rates are higher than the national average (New Mexico @ 70.8% vs. National @ 65.6% as of 1/1/2021)

## Homeownership Rates



\* Zillow (August 2021) Sources: Bureau of Labor Statistics, Federal Housing Finance Agency, Federal Reserve Economic Data

### Homeownership in the discussion of Affordable Housing

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- Homeowners have 44 times net worth of renters\* (\$231K vs. \$5.2K)
- Societal Benefits (not cause/effect but correlation) – even adjusting for income and education\*\*
  - ✓ Increased charitable giving
  - ✓ Civic participation locally and nationally (including voting)
  - ✓ Greater attachment to neighborhood
  - ✓ Children of homeowners do better by almost all measure (breaking the cycle of poverty)
    - Lower teen pregnancy
    - Higher test scores/high school graduation/college matriculation rates
    - Lower teen delinquencies (including incarceration)
    - Better health

## Jay-Z and Will Smith Invest \$165 Million in a Tech Startup That Helps Low-Income Americans Become Homeowners



Jay-Z's Roc Nation and Will Smith's Dreamers VC would be investing into a startup called Landis Technologies for their rent to own homeownership program.

- *Fortune Magazine*
- *Bloomberg*
- *Bankrate.com*
- *Yahoo Finance*
- *Atlanta Black Star*



## Social Bonds in Single Family Housing

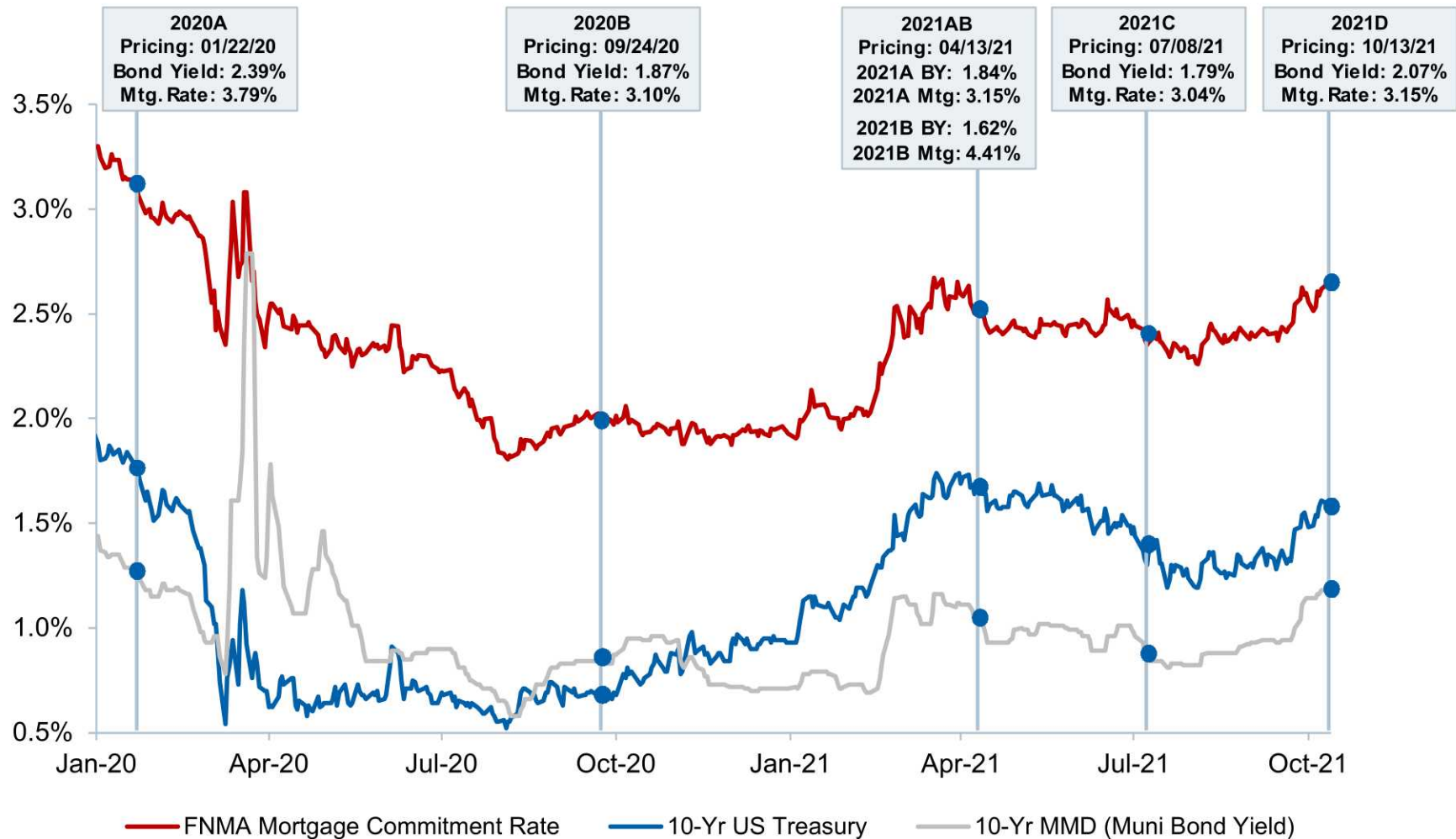
- ✓ There are now more HFAs designing their bonds as Social (than not)
- ✓ YTD 2021, there have been 17 self-certified, 7 2<sup>nd</sup> party certified and 13 non-social single family state HFA bonds
- ✓ An issuer can either self-certify or have a second party verification firm provide an opinion
- ✓ Second Party certification may expand investor base by including social institutional investors who would only purchase bonds with a second party certification
- ✓ There has been recent inquiry by SEC on ESG Fund designation (investment funds, not issuers)

Social Bond Certification in Single Family YTD 2021			
#	Self	2 <sup>nd</sup> Party	None
1	Connecticut HFA	Colorado HFA	California Dept. of VA
2	Florida HFC	Minnesota HFA	Maryland CDA
3	Iowa FA	Tennessee HDA	Missouri HFC
4	Illinois HDA	Texas Dept. HCA	Montana BOH
5	Indiana HCDA	Wisconsin HEDA	Nevada HD
6	Louisiana FC	North Dakota HFA *	New Hampshire HFA
7	Maine St HA	Washington St. HFC *	North Carolina HFA
8	Massachusetts HFA		New Mexico HFA
9	Michigan St HDA		Oregon HCSD
10	Mississippi FC		South Carolina St. HFDA
11	Nebraska IFA		South Dakota HDA
12	New Jersey HMFA		Utah HC
13	St. of New York MA		Wyoming CDA
14	Ohio HFA		
15	Pennsylvania HFA		
16	Rhode Island Hsg		
17	West Virginia HDF		

\* Letter of engagement signed for November 2021 pricing

## Interest Rate Trend (2020 – 2021YTD)

- Updated FOMC projections called for one rate hike in 2022 followed by three hikes in each of 2023 and 2024
- FOMC projects asset purchase tapering announcement at November meeting



	10-Year Treasury		10-Year MMD	
Min	0.52%	08/04/2020	0.58%	08/07/2020
Max	1.88%	01/02/2020	2.79%	03/23/2020
Current	1.56%	10/13/2021	1.18%	10/13/2021

Source: Bloomberg

# NMMFA 2021D Pricing Progression

Preliminary Pricing					Summary of Investor Orders							Proposed Changes		
Maturity	Type	Yield	Spread	Amount	NM Retail	Nat'l Retail	Total Retail	Institutional	Total	Balance	Subscription	Yld Chgs	Spread	Final Yld
01/01/2023	Serial	0.30	0.13	755	-	1,030	1,030	375	1,405		1.86	-	0.13	0.30
07/01/2023	Serial	0.35	0.17	720	-	690	690	100	790		1.10	-	0.17	0.35
01/01/2024	Serial	0.45	0.25	725	-	155	155	-	155	570	0.20	-	0.25	0.45
07/01/2024	Serial	0.50	0.26	730	-	675	675	-	675	55	0.90	-	0.26	0.50
01/01/2025	Serial	0.55	0.27	730	-	-	-	-	-	730	0.00	-	0.27	0.55
07/01/2025	Serial	0.65	0.30	735	-	175	175	-	175	560	0.20	-	0.30	0.65
01/01/2026	Serial	0.75	0.32	740	250	830	1,080	-	1,080		1.46	-	0.32	0.75
07/01/2026	Serial	0.80	0.31	745	-	1,290	1,290	-	1,290		1.73	-	0.31	0.80
01/01/2027	Serial	1.00	0.42	750	395	850	1,245	-	1,245		1.66	-	0.42	1.00
07/01/2027	Serial	1.10	0.44	760	-	765	765	-	765		1.01	-	0.44	1.10
01/01/2028	Serial	1.25	0.45	765	100	865	965	-	965		1.26	-	0.45	1.25
07/01/2028	Serial	1.35	0.51	770	-	770	770	-	770		1.00	-	0.51	1.35
01/01/2029	Serial	1.50	0.57	775	70	780	850	-	850		1.10	-	0.57	1.50
07/01/2029	Serial	1.60	0.62	785	65	740	805	-	805		1.03	-	0.62	1.60
01/01/2030	Serial	1.75	0.70	795	90	60	150	-	150	645	0.20	-	0.70	1.75
07/01/2030	Serial	1.85	0.76	800	75	365	440	-	440	360	0.60	-	0.76	1.85
01/01/2031	Serial	1.90	0.76	810	-	15	15	1,620	1,635		2.02	-	0.76	1.90
07/01/2031	Serial	2.00	0.83	825	110	265	375	1,650	2,025		2.45	-0.05	0.78	1.95
01/01/2032	Serial	2.05	0.85	830	500	120	620	2,905	3,525		4.25	-0.05	0.80	2.00
07/01/2032	Serial	2.10	0.89	840	-	805	805	2,940	3,745		4.46	-0.05	0.84	2.05
01/01/2033	Serial	2.15	0.92	855	250	55	305	2,565	2,870		3.36	-0.05	0.87	2.10
07/01/2033	Serial	2.15	0.91	865	-	-	-	2,595	2,595		3.00	-0.05	0.86	2.10
07/01/2036	Term	2.25	0.91	5,450	-	45	45	48,645	48,690		8.93	-0.10	0.81	2.15
07/01/2041	Term	2.40	0.91	10,190	-	135	135	44,165	44,300		4.35	-0.05	0.86	2.35
07/01/2046	Term	2.60	0.96	11,860	200	700	900	47,880	48,780		4.11	-0.05	0.91	2.55
07/01/2051	Term	2.65	0.96	13,885	50	1,395	1,445	29,880	31,325		2.26	-0.025	0.935	2.625
07/01/2052	PAC	1.08	0.55	41,500	-	-	-	3,395	3,395	38,105	0.10	0.07	0.62	1.15
<b>Total: (\$M)</b>				<b>99,990</b>	<b>2,155</b>	<b>13,575</b>	<b>15,730</b>	<b>188,715</b>	<b>204,445</b>	<b>41,025</b>	<b>2.04</b>			

Source: iPreo; par value in \$000's, order summary at the end of Institutional Order Period



## Syndicate Order Summary (\$000)

Underwriter	New Mexico Retail	National Retail	Institutional	Member	Total
<b>Manager</b>					
RBC Capital Markets	\$750	\$10,875	\$209,360		\$220,985
Raymond James	1,155	1,075	12,655	20,405	35,290
<b>Selling Group</b>					
D.A. Davidson	250	470	-		720
Drexel Hamilton	-	-	-		-
Fidelity	-	1,155	-		1,155
UBS	-	-	-		-
<b>Total</b>	<b>\$2,155</b>	<b>\$13,575</b>	<b>\$222,015</b>	<b>\$20,405</b>	<b>\$258,150</b>

## Investor List

BOTO Holdings
CSB Omni
Eaton Vance Management
Enterprise Holdings
Farmers & Merchants Bank of Long Beach
First Tennessee
Glacier Bank
Homestreet Bank
Horizon Investments
Individuals
Kemper Corporation
Neuberger Berman
Northern Trust
Nuveen Advisory Corp
Pan-American Life Insurance Company
Parker Hunter Asset Management
RW Baird Advisors
Schroder Investment Management
Sit Investment Advisors, Inc.
Southern Farm Bureau Life Insurance Co.
Taylor Advisors Inc
Undisclosed
Wells Fargo Bank Trust
<b>Total: 23 Accounts</b>

## Who Issued Bonds in New Mexico in 2021YTD

New Mexico Bond Issuance 2021YTD		
Date	Issuer	Par (\$000)
02/03/21	Regents of University of New Mexico	75,770
02/11/21	Rio Rancho City-New Mexico	21,000
02/17/21	Chaves Co (Roswell) ISD	7,000
02/18/21	New Mexico Finance Auth (NMFA)	39,535
03/03/21	Bernalillo Co (Albuquerque) MSD #12	28,525
03/03/21	Bernalillo Co (Albuquerque) MSD #12	72,100
03/04/21	Dona Ana Branch Comm College Dt	9,985
03/11/21	Bernalillo Co-New Mexico	14,000
03/17/21	Bernalillo Co-New Mexico	40,370
03/23/21	Sandoval Co-New Mexico	30,000
04/06/21	Albuquerque City-New Mexico	49,960
04/07/21	Santa Fe Co-New Mexico	24,445
04/13/21	New Mexico Mortgage Finance Auth (NMMFA)	16,287
04/13/21	New Mexico Mortgage Finance Auth (NMMFA)	78,000
04/15/21	Central New Mexico Comm Coll	44,550
05/11/21	Eddy Co (Carlsbad) MSD	30,000
05/12/21	New Mexico	166,675
05/12/21	Otero Co (Alamogordo) MSD #1	3,830
05/13/21	Santa Fe PSD	11,000
06/09/21	New Mexico Finance Auth (NMFA)	31,305
06/17/21	New Mexico	317,170
06/23/21	West Las Vegas MSD #1	2,000
06/29/21	New Mexico	163,294
07/08/21	New Mexico Mortgage Finance Auth (NMMFA)	100,000
07/14/21	Luna Co (Deming) PSD #1	2,405
07/27/21	New Mexico Finance Auth (NMFA)	234,600
08/18/21	Lea Co (Eunice) PSD #8	10,865
08/18/21	New Mexico Finance Auth (NMFA)	43,610
08/25/21	So Sandoval Co Arroyo FI Ctl Auth	1,585
08/25/21	So Sandoval Co Arroyo FI Ctl Auth	5,000
09/09/21	Curry Co (Clovis) MSD #1	2,500
09/14/21	Dona Ana Co (Las Cruces) SD #2	4,530
09/14/21	Dona Ana Co (Las Cruces) SD #2	20,000
09/22/21	Sandoval Co (Rio Rancho) PSD #94	9,980
09/22/21	Sandoval Co (Rio Rancho) PSD #94	15,000
09/30/21	Albuquerque Bernalilio Co Wtr Util Auth	73,255
09/30/21	Lea Co (Hobbs) MSD #16	10,615
<b>Total</b>		<b>1,810,746</b>

Annual Bond Issuances in NM		
Year	Par (\$000)	# of Issues
2021YTD	\$1,810,746	37
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

Source: Refinitiv SDC, as of October 1, 2021



# NEW MEXICO MORTGAGE FINANCE AUTHORITY



## FINANCING TRENDS AMONG HFAS: IMPLICATIONS FOR MFA

**CSG** | advisors

October 2021

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# HFA Trends and Challenges

3

## 1. House price appreciation has reduced supply of affordable housing stock

- Homeownership remains in high demand as a result of the pandemic
- House price appreciation has reduced house supply nationally, challenging some state HFA's 2021 loan production

## 2. Record low mortgage rates to borrowers persist while maintaining, in some cases, increasing profitability

- Federal Reserve continues to purchase tens of billions in MBS each month, providing mortgage market stability
- MFA's FHA 30-year mortgage rate as of mid-October was 3.25% for first time borrowers

## 3. Low interest rates are challenging to HFAs, resulting in lower interest income

- Federal Reserve has indicated that short-term rates will remain close to 0% for the foreseeable future

# HFA Trends and Challenges (cont.)

4

4. Economic disruption from the pandemic has **increased loan delinquencies and required payment forbearance**
  - Revenue disruption on HFAs projected to remain manageable
5. HFAs that service loans **will need ample liquidity** to meet cash needs over time
  - MFA is in position to meet such liquidity needs as they arise



# MFA Resources for Funding Affordable Loans

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## 1. Issuing tax-exempt bonds

- Historically provide lower rate cost of funds available 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 3<sup>rd</sup> 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 \$60 million of HOF funds to purchase DPA second mortgages the last 4 years

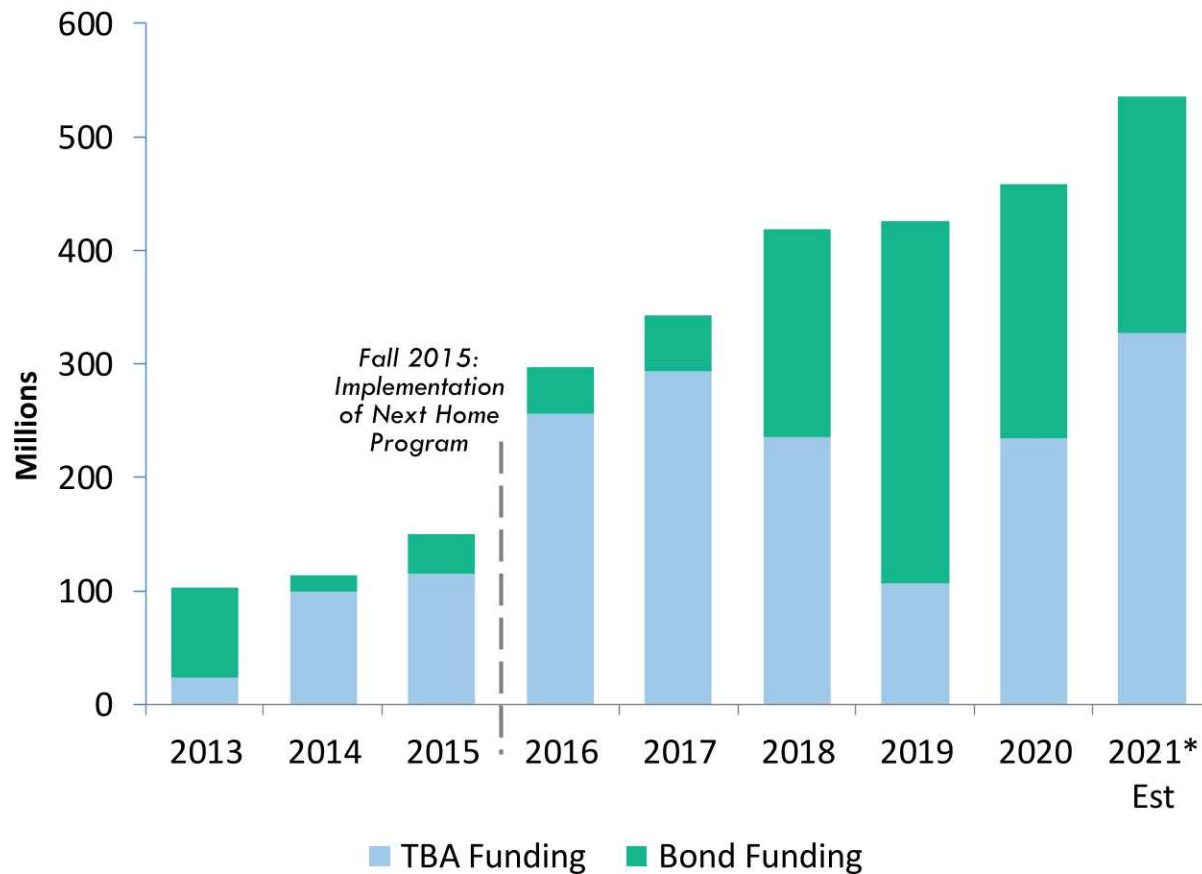
## 4. Capital Magnet Fund (HomeNow DPA)

- In 2020, MFA was awarded \$2.5MM for DPA to borrowers at 80% AMI or below

# MFA Production Growth and Shift

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- Substantial increase in production from prior years
- Stable increase in production from FYE 2018 to 2020 then large jump in 2021



\* Based on MBS settled or purchased each fiscal year.

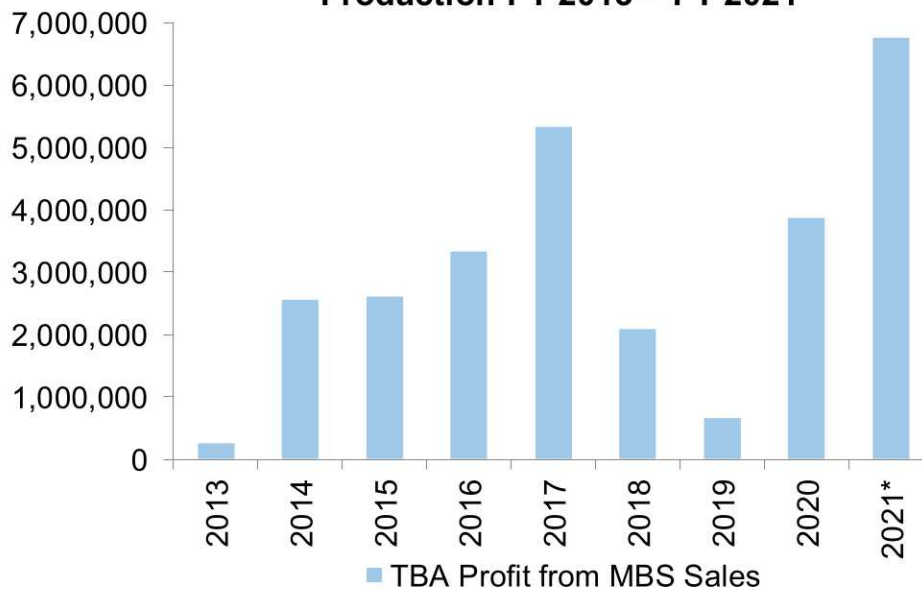
\*\* FY2021 YTD actual production is shown through August 2021, and projected production is shown for subsequent months.

# MFA Has Generated a Mix of Revenue Streams

7

*MFA has generated both immediate revenue from TBA...*

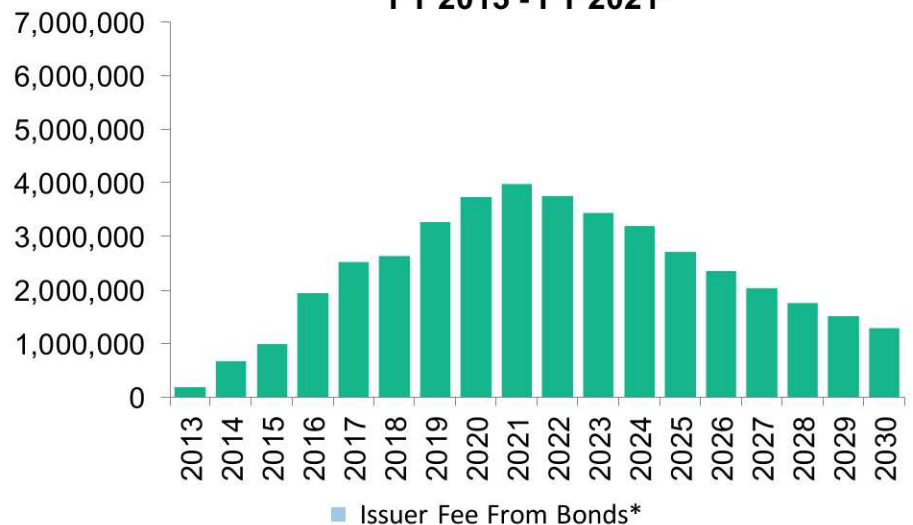
**Single Family TBA Revenue:  
Production FY 2013 - FY 2021\***



\* Based on actual loan production through August 31, 2021 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 2021\***



\* Issuer fee run at 150% PSA



# Actively Monitoring Interest Rates is Crucial

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## 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

Actions

Settings

Fixed Income Trading

15:22

TBA30

TBA15

MBS

Swaps

Butterflies

20 FN30

22 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 / 03½

1 - 1 + 00¾

03½ / 03½

2 - 1 + 00¾

04 / 04½

1 - 1 - 00¾

Nov/Dec

03½ / 03½

1 - 1 + 00¾

03+ / 03½

1 - 1 + 00¾

04½ / 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

04½ / 04½

1 - 1 - --

04½ / 04½

1 - 1 + 00+

03½ / 03+

1 - 1 + 00¾

Nov/Dec

04½ / 05

1 - 1 + 00¾

05½ / 05½

1 - 1 + 00¾

05+ / 05½

1 - 1 + 03+

Benchmarks

Roll Analysis

Oct/Nov

Rte

0

Treas 2Y

99-23+ / 23½

2.889 / 885

- 01

Cpn

PSA

Drp

B/E Drp

B/E Rte

B/E PSA

Treas 3Y

99-10½ / 11

2.988 / 985

- 02

3.00

102.00

3.000

9.449

2.316

Treas 5Y

99-03 / 03½

3.073 / 071

- 03½

3.50

117.00

3.250

10.280

2.454

Treas 7Y

98-29 / 29+

3.176 / 173

- 08

4.00

161.00

4.000

11.408

2.515

Treas 10Y

97-00+ / 01

3.231 / 229

- 11

4.50

235.00

4.625

12.532

2.620

5322.485

Treas 30Y

92-15+ / 16

3.403 / 402

- 31

5.00

251.00

4.625

13.747

2.965

4728.101

Australia 61 2 9777 8600

Brazil 5511 2395 9000

Europe 44 20 7330 7500

Germany 49 69 9204 1210

Hong Kong 852 2977 6000

Japan 81 3 3201 8900

Singapore 65 6212 1000

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# MFA as viewed by Rating Agencies

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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

	<b><u>S&amp;P</u></b>	<b><u>Moody's</u></b>
Issuer Credit Rating	AA-	Aa3
2005 Indenture	AA+	Aaa*
2009 Indenture	AA+	--

\* Bonds beginning 2015A and after.

## Rating Definitions

<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
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

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## Challenges:

- The impact of the pandemic as well as impact of loan payment forbearance required by MFA's servicing operations is still uncertain
- Affordable housing supply
- Costs to develop new units and affordable homes is high
- Low interest rates persist
- Evolving regulatory environment

## Opportunities:

- Continued growth as leader in New Mexico mortgage market
- Several techniques to finance programs are currently available
- Ability to refinance existing higher rate bonds to lower rates