



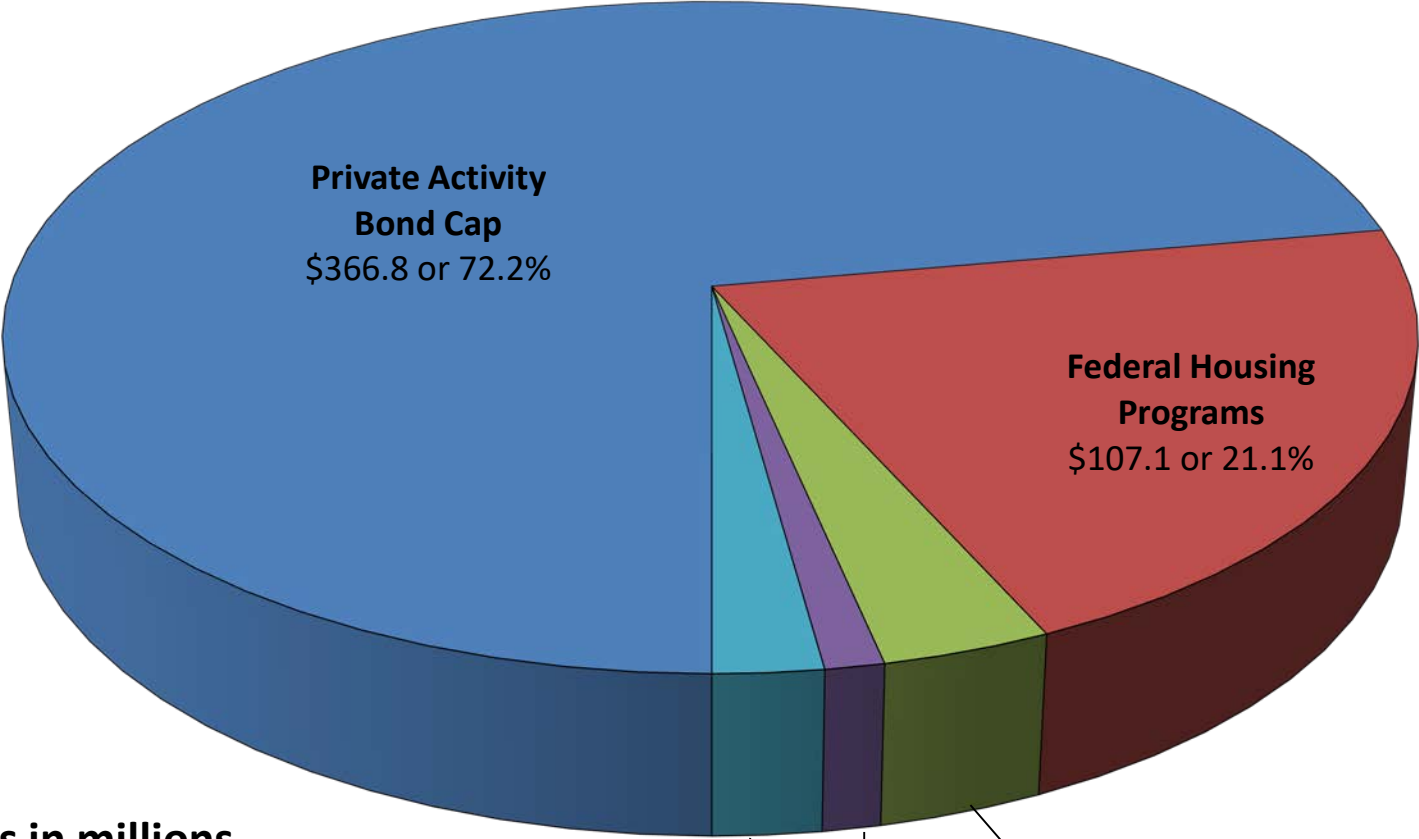
# **New Mexico Mortgage Finance Authority (MFA) FY2016-2017 Budget Overview**

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**Legislative Oversight Committee  
October 31, 2016**

# MFA Estimated Funding Sources - 2016

Estimated Total: \$508 Million



Dollars in millions

\*The New Mexico Affordable Housing Tax Credit incentivizes up to \$8.8 million in private donations for affordable housing.

Private/Other\*  
\$11.1 or 2.2%

MFA General Fund  
\$17.2 or 3.4%

State Funding & Appropriations  
\$6.0 or 1.2%

# Production & Financial Highlights

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

## 2007 SINGLE FAMILY PROGRAM RECORD PRODUCTION:

- Single Family Housing Boom (-2008) *Revenue, Production/Assets Managed*
- Regional Housing Authority (-2016) *Revenue, Assets Managed*

## 2008 COLLAPSE OF ECONOMY & HOUSING:

- Recession (-2012) *Revenue, Production/Assets Managed, Expense*
- Federal Fiscal Policy holding mortgage and investment interest rates at historical lows (-2016) *Revenue, Production/Assets Managed*
- Housing/Subprime Mortgage Crisis-housing market still showing instability (-2014) *Expense, Production/Assets Managed, Revenue*
- HERA Neighborhood Stabilization Program (-2014) *Revenue, Production/Assets Managed*

## 2009 FEDERAL STIMULUS:

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

## 2010 HISTORICAL LOW MORTGAGE RATES:

- High Single Family Prepayment Activity (-2013) *Assets Managed, Revenue*
- Historical low mortgage rates (2010-2016) *Production/Assets Managed, Revenue*

## 2011 INNOVATION & NEW RESOURCES:

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

## 2012 FEDERAL BUDGET REDUCTIONS:

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

## 2013 INNOVATION & NEW RESOURCES :

- To Be Announced (TBA) Single Family Loan Execution (-2016) *Production, Revenue*

## 2014 INNOVATION & NEW RESOURCES:

- Decrease in Single Family Prepayment Activity (-2016) *Revenue, Assets Managed*
- Ventana Fund Contribution (-2016) *Expense, Production for NM*
- Small Business Investment Council loan funding for Housing Opportunity Fund (-2016) *Production/Assets Managed, Revenue*

## 2015 STABILIZED HOUSING MARKET & ECONOMY

- Increase in Single Family Production (-2016) *Revenue, Production/Assets Managed*
- 40th Anniversary Celebration

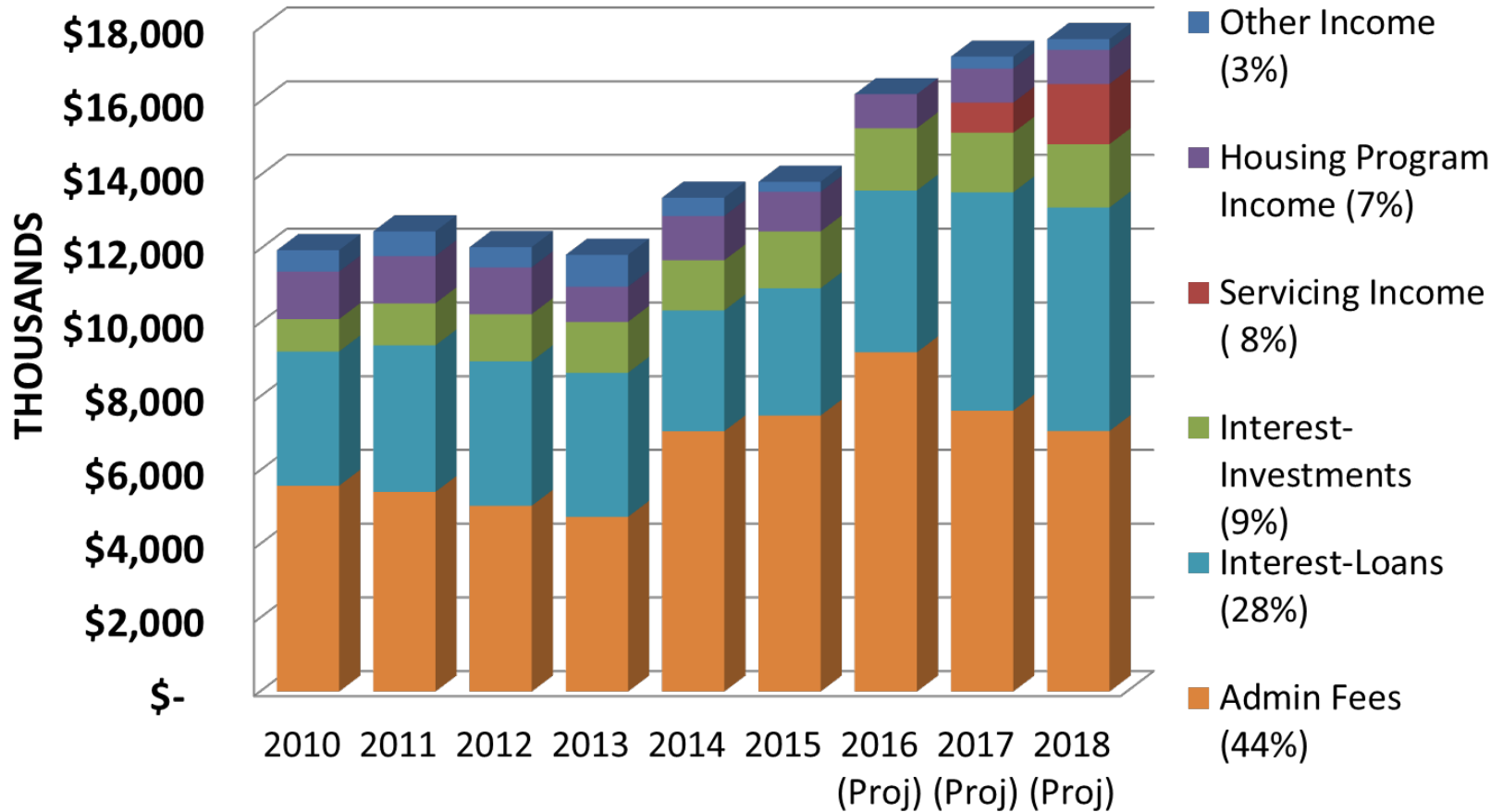
## 2016 PROGRAM EXPANSION:

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

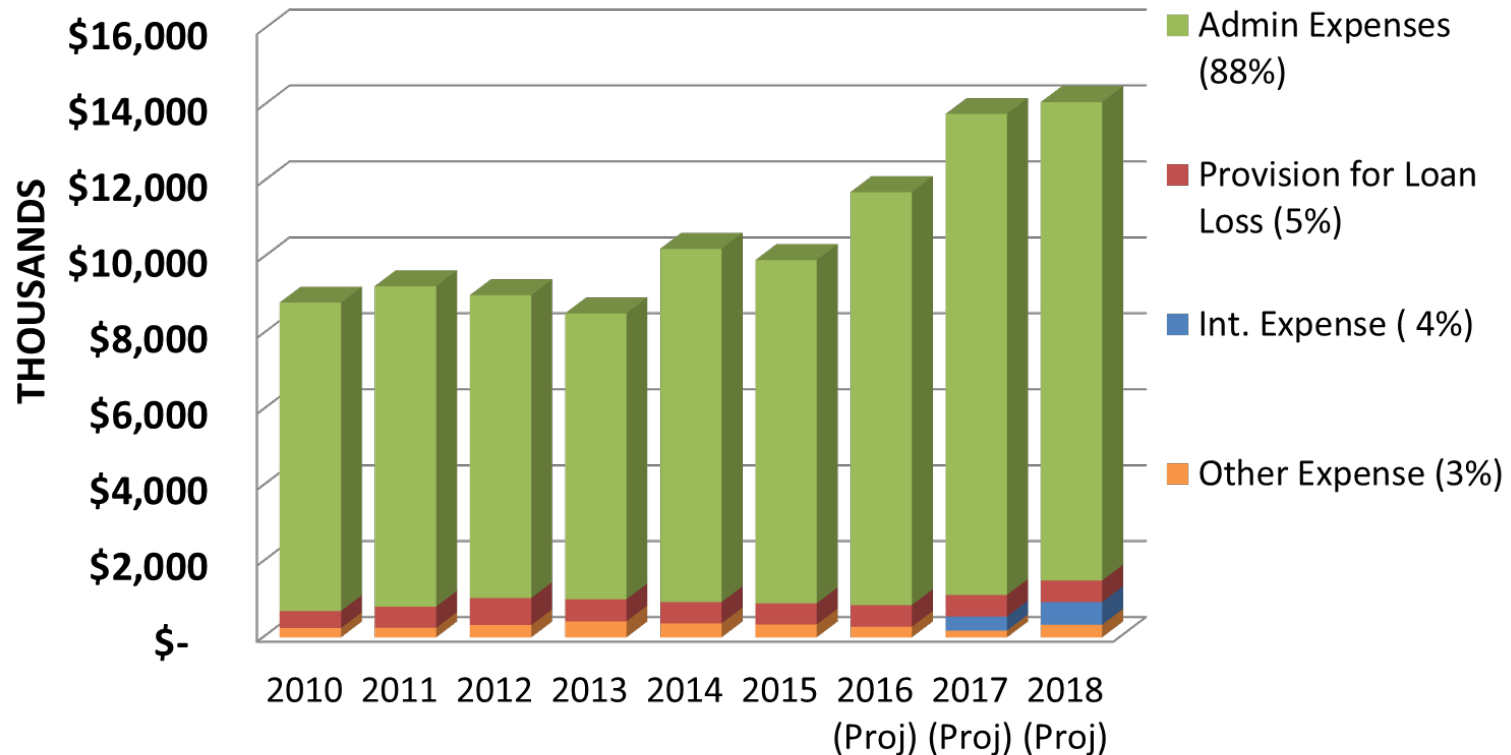
## IMPACT LEGEND:

*Red : Negative Impact*  
*Green: Positive Impact*

# MFA Operating Fund Revenue Summary 2010-2018 (Projected)



# MFA Operating Fund Expenditure Summary 2010-2018 (Projected)



# Detailed Administrative Expense Breakout

## MFA Operating Fund (FY17 Budget)

<u>Expenditure Category</u>	<u>% of Total Expenses</u>
• Compensation	43%
• Travel & Public Information	3%
• Office Expenses	4%
• Other Operating Expenses	22%
✓ Primarily Contractual Services	
• Non-Operating Expenses	
✓ Training & Technical Assistance, Program Development, Capacity Building	6%
• Capital and Purchased Servicing	17%
• Non-Cash	6%

# FY17 Operating Fund Budget Summary

MFA's FY17 General Operating Fund budget was approved by the MFA Board on September 21, 2016. Revenue is projected at \$16.5 million, an increase of \$1.2 million or 8% over projected FY16 actual revenue and an increase of \$1.8 million or 12% over prior year budget. The expense budget is projected at \$13.3 million, an increase of \$2.8 million or 26% over FY16 projected actual expenditures and an increase of \$2.5 million or 24% over prior year budget. The FY17 budgeted excess revenue over expenses before purchased servicing and capital outlay is \$3.1 million. The decrease from prior year excess revenue over expenses is a result of the implementation of the Mortgage Operations servicing expansion model, as well as the addition of 5.5 full-time equivalent (FTE) staff positions for growth and new programs. The capital budget is projected at \$2.7 million an increase of \$2.0 million or 322% over FY16 projected actual and an increase of \$1.3 million or 94% over prior year budget. The total net budget including capital items is \$.47 million.

# Summary of FY17 Significant Budget Variances from FY16

- Expansion of Mortgage Operations
  - ✓ Rev: Interest on Loans and servicing rights fees
  - ✓ Exp: Subservicing fees/lender compensation and interest expense
- 5.5 new FTE-Salary and Benefits
  - ✓ National Housing Trust Fund
  - ✓ HUD Management & Occupancy Reviews
  - ✓ Mortgage operations growth and expansion
- 2.75% merit pay increase and all related payroll taxes/benefits
- 3% increase in benefit costs
- Building remodel



# Why Reserves?

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

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

# Management of Reserves/ Capital Adequacy

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

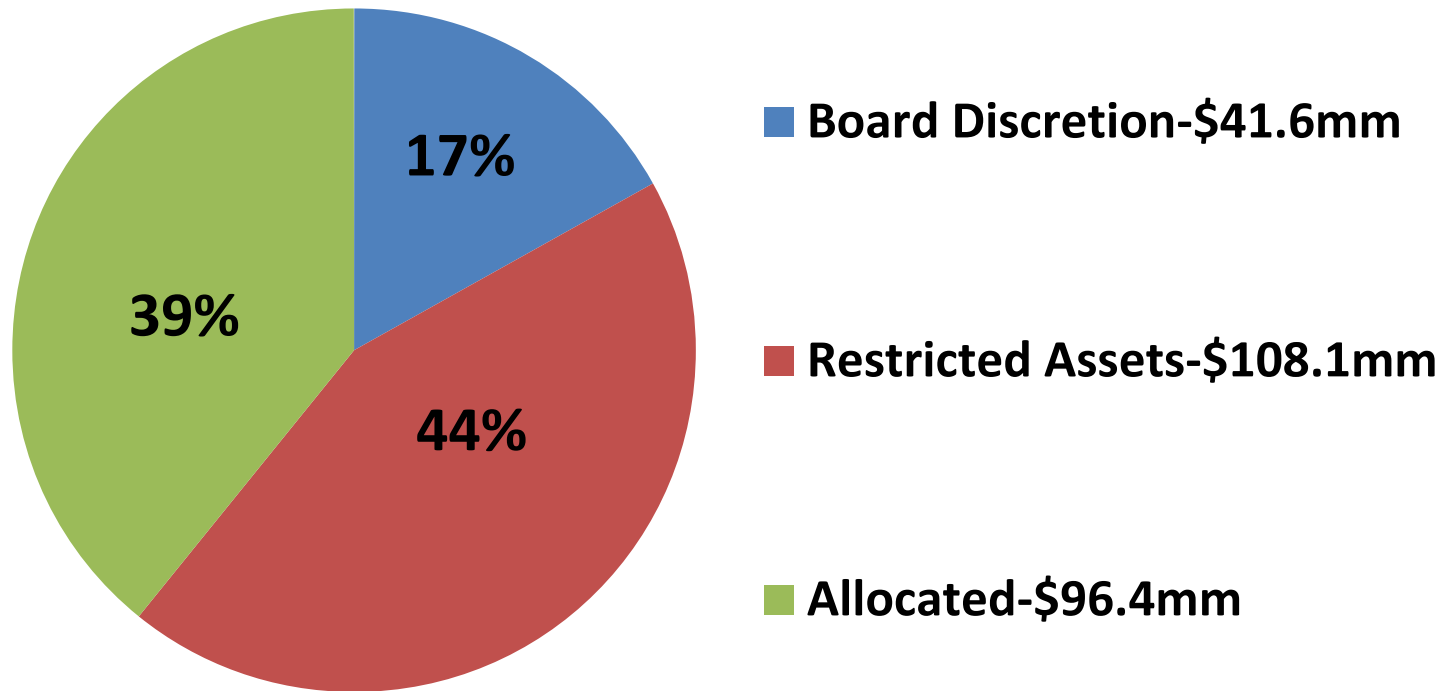
# Fund Balance Detail

## (\$ in millions)

<b>Fund Balance-Restricted/Allocated</b>		
Bond Indentures	\$37.2	15.1%
Fiduciary Funds	\$26.7	10.8%
Housing Opportunity Fund	\$85.0	34.5%
Cumulative GASB 31 FMV Adjustment	\$43.2	17.6%
Invested in Capital Assets	\$1.0	0.4%
FHA Risk Share Reserve	\$11.4	4.6%
<b>Fund Balance-Operating Fund/Liquidity</b>		
Liquidity and Capital Requirements (S&P)	\$16.6	6.8%
Net Funds Available for Budget, Contingencies & Programs	\$25.0	10.2%
<b>TOTAL AUDITED 9/30/15 FUND BALANCE</b>	<b>\$246.1</b>	<b>100%</b>

# Summary of Availability of MFA Fund Balances

## Fund Balance Summary



# So What is Really Available?-\$\$\$\$

<b>Current Discretionary Fund Balances as of 9/30/15</b>	<b>\$41,600,000</b>
Projected 5-Years Excess Revenues over Expenses (FY2016-FY2020)	\$31,200,000
Anticipated DPA Needs FY2016-FY2020 (High case-\$280mm mortgage production)- will become allocated within Fund Balance	(\$39,800,000)
Estimated Remaining Discretionary Reserve/Fund Balances FY2020	\$33,000,000

# Trends in General Fund Cash Needs

- Increasing operating expenses, primarily related to compensation/benefits
- Due to improved single family mortgage production, anticipate stress on Housing Opportunity Fund down payment assistance program-FIRST DOWN
- As bond funding executions become more viable, cost of issuance funding needs will increase
- Statewide Affordable Housing Assessment may identify additional needs

# Conclusions-Reserve Levels

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

# New Mexico Mortgage Finance Authority

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[www.housingnm.org](http://www.housingnm.org)

Comments/Questions

