

# New Mexico Mortgage Finance Authority



**MFA**

*Housing New Mexico*

**Legislative Oversight Committee**

**November 30, 2022**



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## **November 30, 2022**

### **Table of Contents**

- 1** Expanding Weatherization Activities
- 2** New Mexico Coalition to End Homelessness
- 3** FY 2022 MFA Strategic Plan Benchmarks
- 4** MFA 2023 Budget
- 5** Changes to Existing and Proposed Rules Promulgated by MFA
- 6** MFA 2023 Legislative Agenda: Final Review of Bills

Tab 1



# NM Energy\$mart Weatherization Program Overview

Troy Cucchiara, Dimitri Florez, and David Gutierrez  
Weatherization Assistance Program Managers

November 30, 2022



# Weatherization - What is it?

MFA's NM EnergySmart weatherization assistance program provides energy-saving retrofits and home modifications at no charge to eligible homeowners and renters.

## Department of Energy (DOE) definition-

**-Reduces energy costs** for low-income households by increasing the energy efficiency of their homes, while ensuring health and safety. It is the nation's single largest residential whole-house energy efficiency program. WAP has created an industry, producing new jobs and technologies, all while helping the most vulnerable families across the country.

# How is Weatherization beneficial?

- Reduces utility bills to households in need
- Reduces energy costs and usage
- Improves health and safety conditions
- Improves environment
- Reduces reliance on foreign energy sources
- Occupants have a sense of dignity and peace of mind for the home they reside in

# Program History

- Born out of the 1973 oil crisis
- 1976 Energy Policy Act
- 1980's caulking, plastic on windows, some insulation
- Late 80's to early 90's, diagnostic testing and viewing building as a system, energy audits, infra-red technologies, health and safety emphasis
- 1997 MFA
- 2009-2012 – ARRA (One million home goal) - 400% increase of production
- 2010-Present – New guidance and standards
  - Mechanical ventilation to reduce radon, mold, and moisture
- 2020 – Covid Pandemic shifted the WAP workforce
- 2021- Eligibility flexibility
- 2022 – Bipartisan Infrastructure Law (BIL)

# Weatherization Measures



## MECHANICAL MEASURES

- Clean, tune, repair, or replace heating and/or cooling systems.
- Install duct and heating pipe insulation.
- Install programmable thermostats and other HVAC controls.
- Repair/replace water heaters.
- Install water heater tank insulation.
- Insulate water heating pipes.
- Install solar water heating systems.
- Install waste heat recovery devices.



## HEALTH & SAFETY MEASURES

- Complete combustion appliance safety testing.
- Repair/replace vent systems to ensure combustion gas draft safely outside.
- Install mechanical ventilation to ensure adequate indoor air quality.
- Assess fire hazards. Install smoke and carbon monoxide alarms when needed.
- Evaluate mold/moisture hazards.
- Perform incidental safety repairs when needed.



## BUILDING SHELL MEASURES

- Install wall, floor, ceiling, attic, and/or foundation insulation.
- Complete Blower Door Testing.
- Perform air sealing.
- Repair/replace primary windows/doors.
- Install storm windows/doors.
- Install window film/solar screens/window louvers and awnings.
- Repair minor roof and wall leaks prior to attic or wall insulation.



## ELECTRIC BASELOAD MEASURES

- Install motor controls.
- Install efficient light sources.
- Replace refrigerators and freezers with energy efficient models.



# National Program Changes

## **1970s**

- Blindly sealing air drafts
- Plastic on windows
- Sometimes insulation
- No appliance replacement
- Little to no client education
- Few limited funding sources

## **Currently**

- Test driven weatherization
- Air sealing specific to infiltration needs
- Window replacements (never plastic)
- As much insulation as possible
- Health and safety appliance replacement
- High emphasis on client education
- Multiple leveraging funding sources

# How the Local Program is Changing

- Ability to repair structural issues
  - DOE allowance with “Weatherization Readiness Funds”
  - Local funding source to address massive need
- Cooling replacements as health and safety
- Electrification
- Solar options being explored
- Strong Multifamily Program
- Working with more funders
- Energy burden takes on more value for priorities

# Eligibility Requirements

List of income qualifications is on the MFA website and available through the NM Service Providers in each area.

## Income

- Household income must be below 200% of the Federal Poverty Level or
- HUD tested program at 80% AMI or
- Receives SSI, TANF, or is a recipient of LIHEAP services

## Structure (building)

- Applicant must own or rent a home in New Mexico
- Multifamily, site built, and mobile homes are all eligible
- Home must not be for sale or scheduled for demolition

# Priority and Client Ranking Requirements for Service off Existing Waiting List

**The most vulnerable households receive services first when federal dollars are used.**

- Order of service depends on client ranking – Federal regulations determine the criteria used to rank household need:
  - Disabilities- one point for each member with a disability
  - Children- one to five points for each member based on age
  - Elderly- one to five points for each member based on age
  - **High Energy Burden**- computed by dividing the home's energy consumption by its household usage. This is three to twelve points based on percentage of energy burden.



# NM Energy\$mart Funding

## Federal

- U.S. Department of Energy (DOE)

## Federal but passes through state

- Low Income Housing Energy Assistance Program (LIHEAP)
- Coronavirus State and Local Fiscal Recovery Funds (WAP FRF)

## State Funding

- Capital Outlay and other funds (NMHTF)

## Utilities

- New Mexico Gas Company- Funding will increase with potential RFP
- Public Service Company of NM (PNM)- Funding can increase upon request
- Central Valley Electric Co-op (CVEC)
- El Paso Electric-(negotiation)
- Tri-State Electric-(negotiation)



# Bipartisan Infrastructure Law (BIL)

- BIL awarded the NM EnergySmart Program \$22 million to deliver a more equitable clean energy future for the nation.
  - Five-year grant period with potential extensions
- BIL funds are awarded through the same process as the annual DOE funds and allocated to the existing New Mexico Service Providers. Funds are distributed by county and tribe using a formula based upon population and poverty level.
- BIL State Plan Application was submitted to DOE for approval September 27, 2022.
- DOE has approved an award of 15% of the total and is already in use by our service providers.

# Funding Levels

Origin and Source	Pass Through	Full Contract	Annual
Energy Policy Acts- Congress Sets Annual Allocations 2022-2023	Department Of Energy (DOE)	\$2,529,186	\$2,529,186
Bipartisan Infrastructure Law (BIL)	DOE	\$22,066,751(Five years)	\$4,413,350
State Capital Appropriations	Department of Finance and Administration (DFA)	\$1,000,000	\$1,000,000
Low Income Home Energy Assistance Program (LIHEAP)	Human Services Department (HSD)	\$2,500,000	\$2,500,000
Coronavirus State and Local Fiscal Recovery Fund (WAP FRF)- Department of Treasury	(DFA)	\$3,750,000 (Four years)	\$1,250,000
Utility Bill Energy Efficiency	New Mexico Gas Company	\$1,300,000	\$1,300,000
Utility Bill Energy Efficiency	PNM	\$600,000	\$600,000
Total		\$33,745,937	\$13,592,536

# Funding Sources in Contract Negotiation

Origin and Source	Amount
El Paso Electric	\$1,143,165.61 (Two-year)
Tri-State Electric	TBD and dependent on Mescalero Project

# Five Year Average and Expected Production

	Per Unit Average	Annual Units
Last Five Years	\$10,092	690
Expected	\$14,000	1,100

## Available Units by County

- Dependent on funding levels and allocation formulas
- Allocation formulas take into consideration many factors including levels of poverty, disabled, elderly, children, climate, and total population in each county.
- A per unit average of \$8,070 has been used for the formulas

# Current Service Providers

MFA Administers the program through community-based nonprofit organizations statewide.

## **Central New Mexico Housing Corporation**

Cyndi Hazzard, Executive Director

Serves the Northern Counties of the State

Weatherization Office is located in Albuquerque, NM

## **Southwestern Regional Housing and Community Development Corporation**

Veronika Molina, Executive Director

Serves the Southern Counties of the State

Weatherization Office is located in Las Cruces NM and Main Office is located in Deming, NM

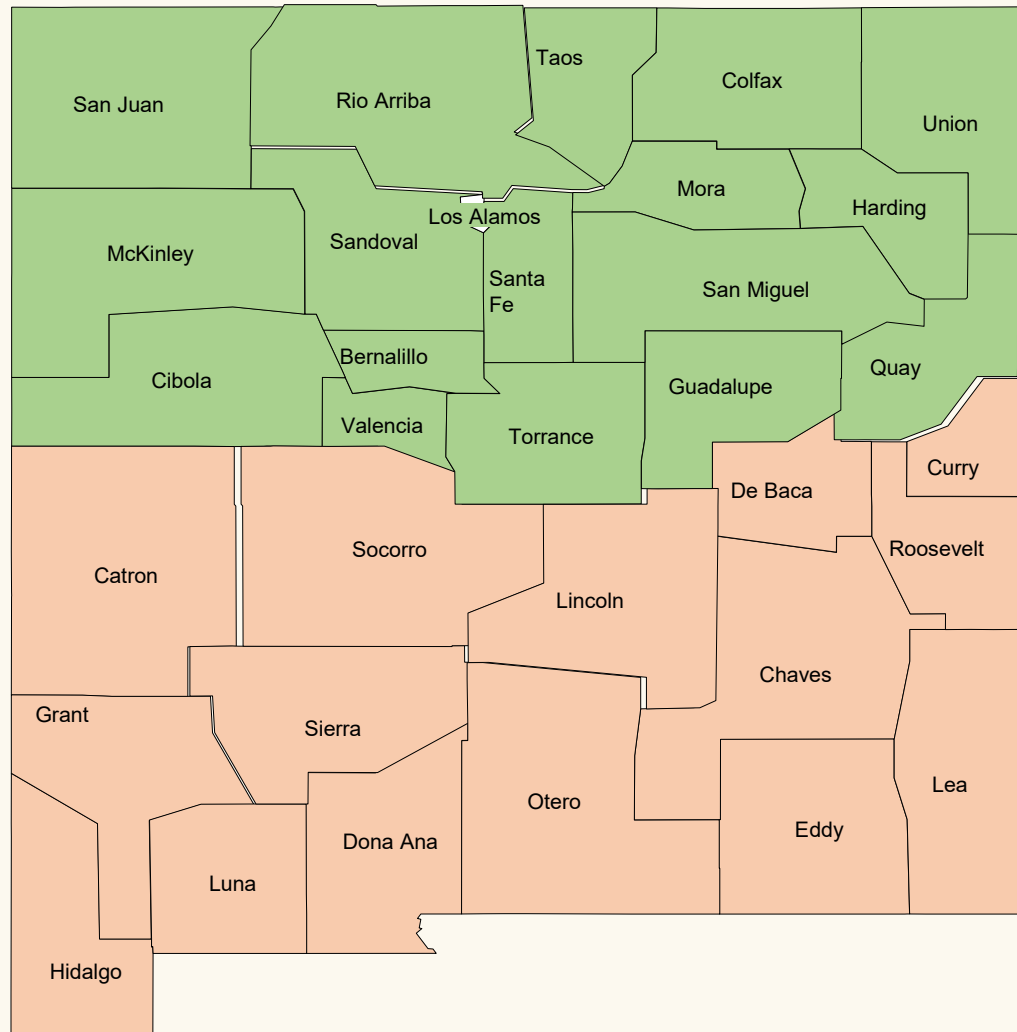
## **International Center for Appropriate & Sustainable Technology (ICAST)**

Ravi Malhotra, Founder and President

Serves Statewide Multifamily Weatherization

Weatherization Office is located in Denver, CO

# Service Providers Map Coverage



Central New Mexico  
Housing Corporation

Southwest Regional  
Housing & Community  
Development Corporation

ICAST

- Serves whole state with multifamily building weatherization



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# Procuring for New Provider

- MFA is procuring for a new service provider to mainly assist the Navajo Nation area and potential nearby counties.
- This fourth service provider will offer more opportunities for the Navajo Nation to be assisted than previous years.
- The other three service providers will focus more on the remaining counties but can also assist the Navajo Nation when needed.
- The same allocation formulas will be used to take into consideration factors including levels of poverty, disabled, elderly, children, climate, and total population in each county.



# Electrification

- The process is called electrification or **using electricity as a source to provide a service previously met by other energy sources.**
- In NM, the Energy\$mart program focusses on homes that are using propane as prime candidates for this process.
- Since October 2021, The Energy\$mart Program has initiated 21 fuel switches for the client's primary source of heat.
- Full weatherization accompanies each fuel switch, saving the client hundreds of dollars over one heating season.
- Heat pumps are used in the process provided much needed cooling during the summer months.
- Switching from natural gas to electricity is not currently a cost-effective practice in NM
  - All energy saving measures must prove to be cost effective over the lifetime of the measure. Fuel switching is no exception.
  - With rising natural gas prices, this is becoming a more feasible activity

# WAP FRF

- Funding is used for emergencies and full weatherization.
- There are over 100 clients in our data base in need of structural repairs and emergencies.
- This has been a huge need of the program since it's inception.
- Historically, these homes have been deferred.
- Enables the program to take care of the segment with the highest needs.
- Once a home qualifies for emergency service, full weatherization is triggered.
- Emergency is defined as: Repairs that if not made immediately are very likely to pose a material or imminent risk of injury to persons or substantial damage to property.

# Mescalero Apache

- 125 low-income homes have been identified within the tribe
- Every home is using propane as a source of fuel
- Every home is believed to be living with a high energy burden
- Several sample energy models have been run
- Average savings is \$1,512 per year
- Average MMBTU savings is 58.9 and 7,068 lbs of CO2 per month
- We are currently working on a five-year plan with Tri-State Electric and Southwestern Regional Housing & CDC to fully weatherize each home
- All homes will receive heat pumps and fuel switches
- Training will be provided to the tribe as part of the project to further benefit the community

# MFA WAP Contact Information

## NM EnergySmart Weatherization Assistance Program

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## Comments/Questions

Thank you



# Tab 2





# **Ending Homelessness in New Mexico**

**New Mexico Coalition to End Homelessness**

# Homeless Management Information System (HMIS)

Required by the US Department of Housing  
and Urban Development

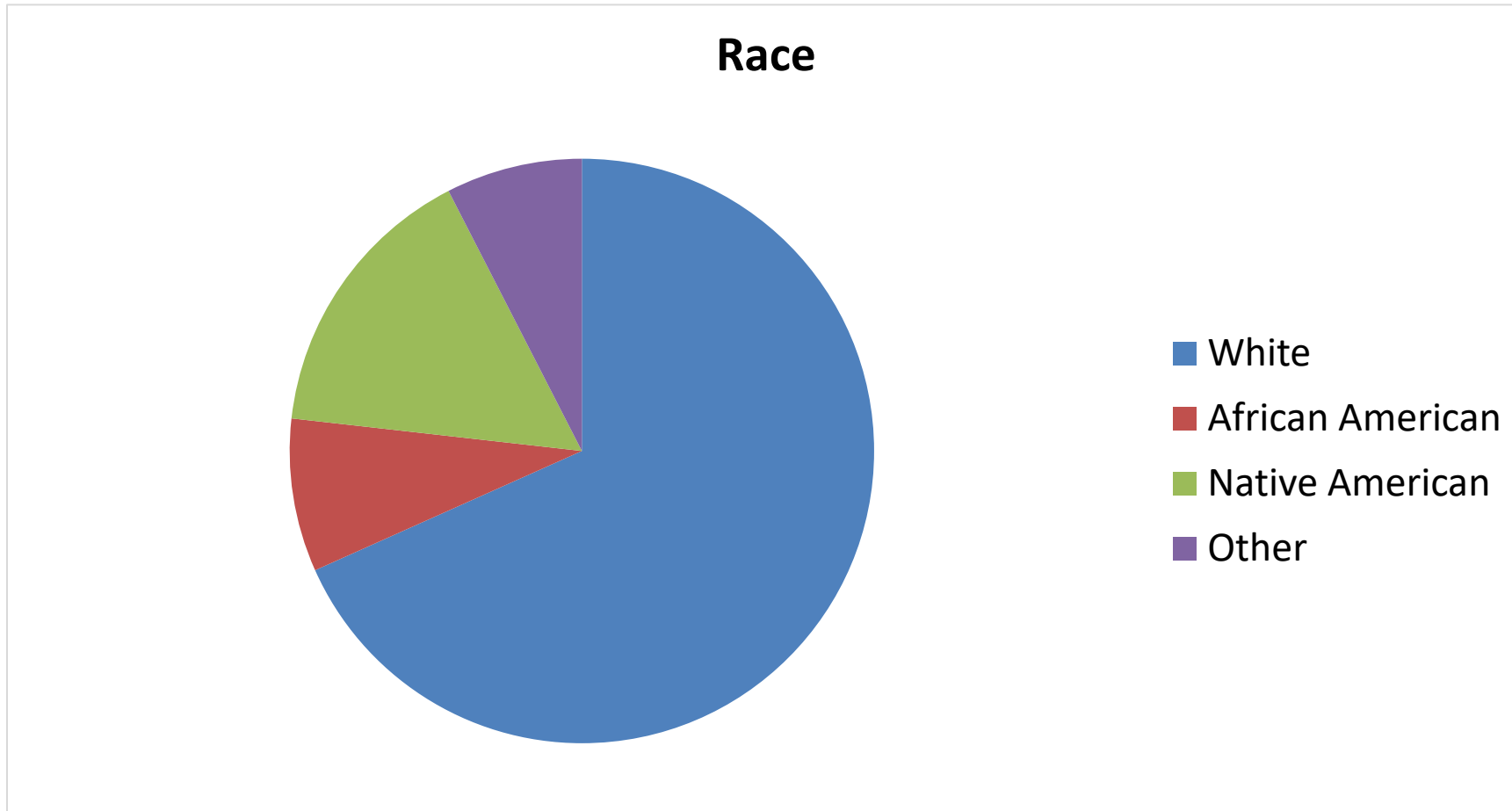
Tracks services received by people  
experiencing homelessness from  
government funded programs

# How Many People are Homeless

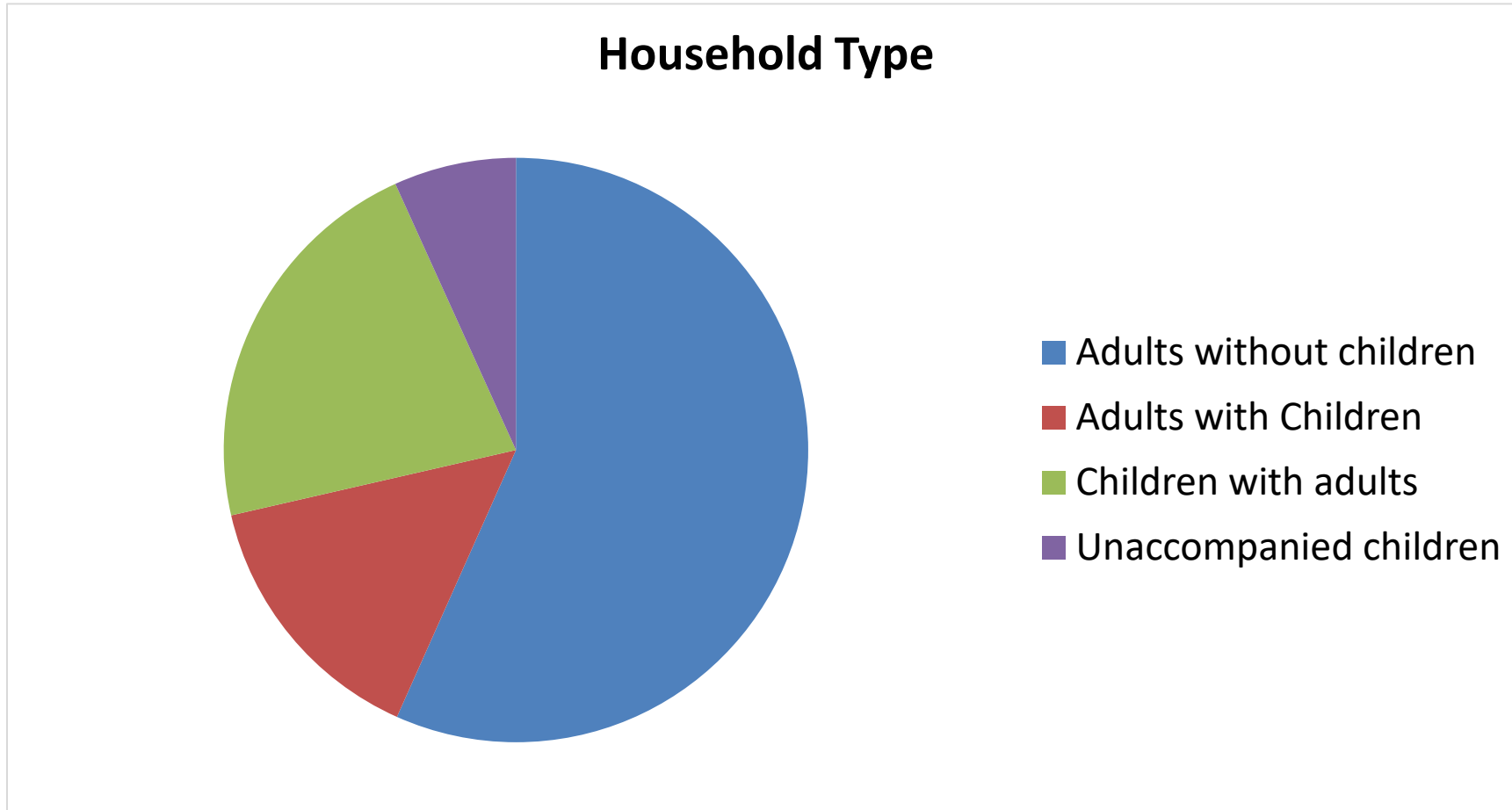
- We estimate that a total of 15,000 to 20,000 experience homelessness in New Mexico each year, in a normal year, from our HMIS Data
- While many people resolve their housing crisis on their own or with existing help, about 6,500 people per year do not.
- The Point in Time Count gives a one day snapshot



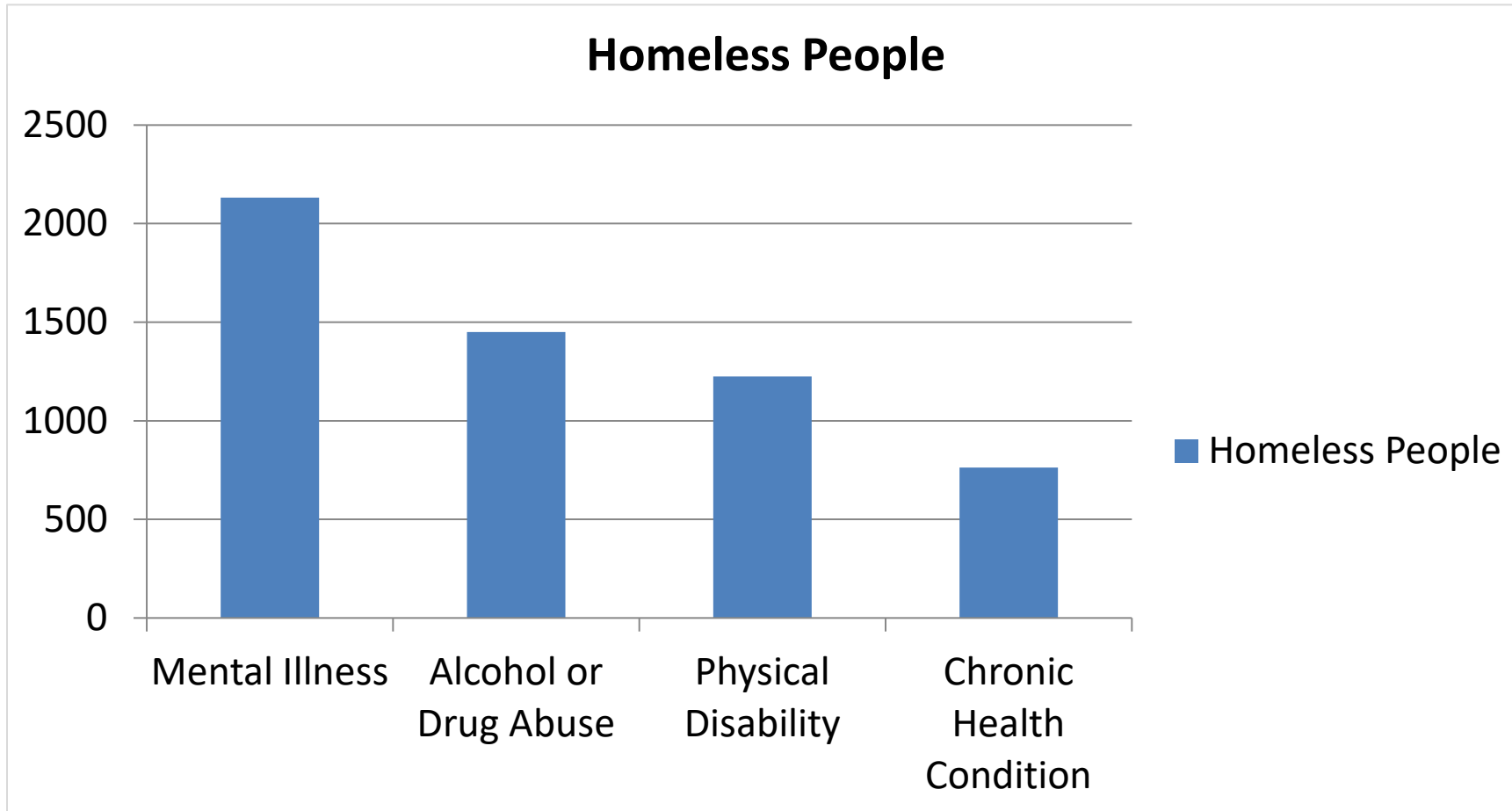
# Race of Homeless People



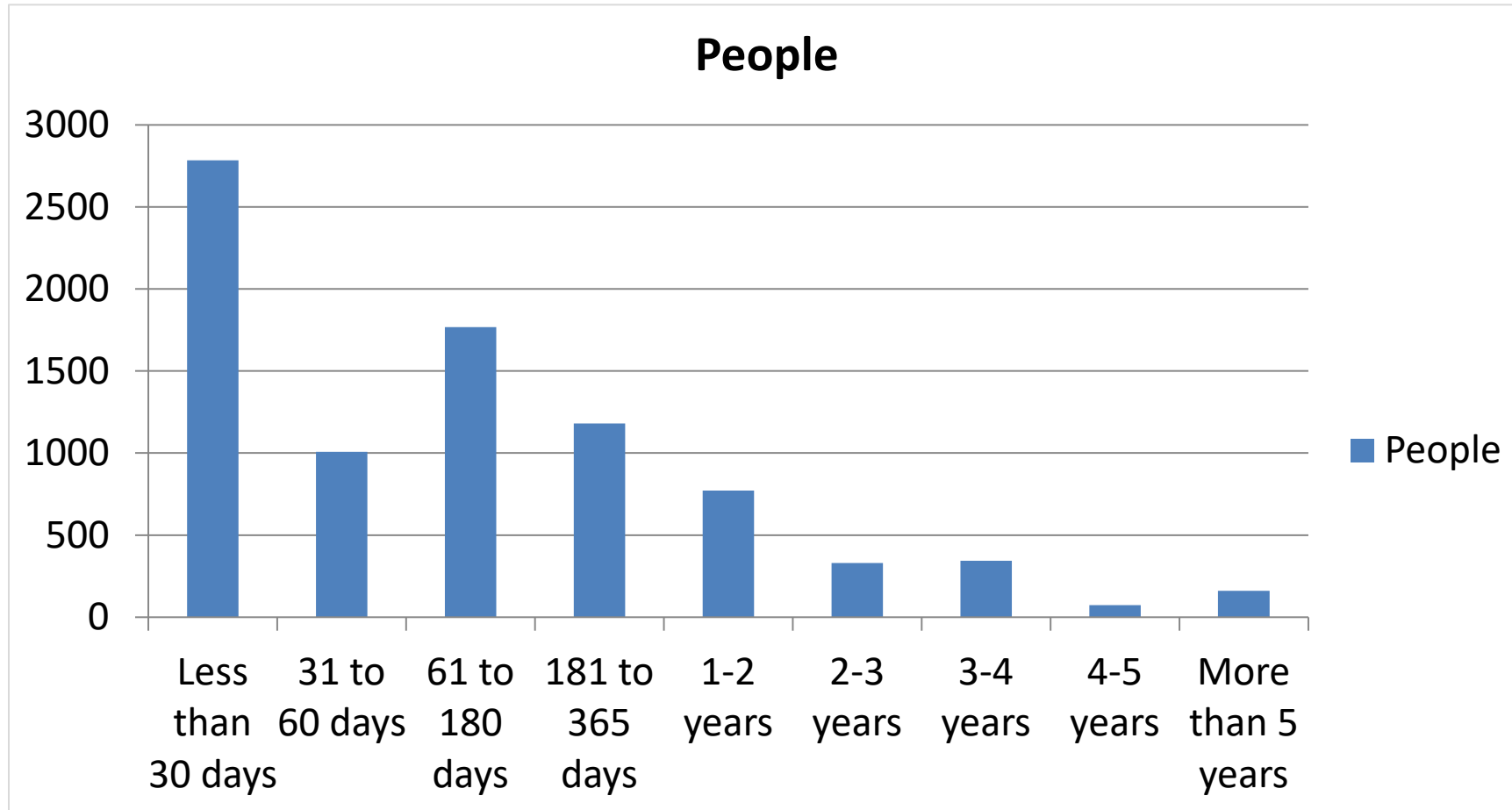
# Household Composition



# Conditions Upon Entry



# Length of Participation



# The Pandemic and Homelessness

- The pandemic made homelessness more visible as people avoid shelters
- The pandemic caused the price of housing to rise, forcing those at the bottom into homelessness
- Trends over the years---the economy and homelessness
- The horrible level of homelessness we are seeing is the result of 40 years of neglect of housing for poor people



# The Goal



To house everyone  
within 30 days of  
them becoming  
homeless

# Legislative Solutions

- State Linkages Program: Double funding to about \$10 million annually to serve at least 600 people. Needs to be statewide.
- Continue Funding the New Mexico Housing Trust Fund
- Modernize landlord tenant law to allow more time for catching up on rent.



# Tab 3



# MFA Strategic Plan Benchmarks

## FY 2022

### Goal 1 - Create affordable housing opportunities that support and strengthen New Mexico's communities



Benchmark: 1

Provide mortgage financing for 2,043 homebuyers

Q1	On Target	MFA financed 651 homebuyers in Q1 of FY 2022 and 651 homebuyers YTD.
Q2	On Target	MFA financed 557 homebuyers in Q2 of FY 2022 and 1208 homebuyers YTD.
Q3	On Target	MFA financed 554 homebuyers in Q3 of FY 2022 and 1762 homebuyers YTD.
Q4	Met	MFA financed 456 homebuyers in Q4 of FY 2022 and 2218 homebuyers YTD.



Benchmark: 2

Maintain average mortgage product utilization of 25% of all FHA loans recorded in New Mexico

Q1	On Target	The MFA quarterly product utilization reported for Q1 is 34.90% for a YTD average of 34.90%.
Q2	On Target	The MFA quarterly product utilization reported for Q2 is 28.79% for a YTD average of 31.84%.
Q3	On Target	The MFA quarterly product utilization reported for Q3 is 25.77% for a YTD average of 29.82%.
Q4	Met	The MFA quarterly product utilization reported for Q4 is 24.34% for a YTD average of 26.30%



Benchmark: 3

Finance the development and/or preservation of 850 rental and homeownership units

Q1	Met	Financed development of 801 units and preserved 90 units in Q1, for a YTD total of 891 units developed and preserved.
Q2	Met	No closings in Q2. Financed development of 801 units and preserved 90 units in Q1, for a YTD total of 891 units developed and preserved.
Q3	Met	Financed development of 108 units and preserved 772 units in Q3, for a YTD total of 1,771 units developed and preserved.
Q4	Met	Financed development of 514 units and preserved 96 units in Q4, for a Year End total of 2,381 units developed and preserved.



Benchmark: 4

Maintain a 35% exit rate of individuals experiencing homelessness served to permanent housing through EHAP

Q1	On Target	The Q1 unduplicated clients were 624, and of these 300 (48%) exited to permanent housing. YTD rate is 48%.
Q2	On Target	The Q2 unduplicated clients were 646, and of these 215 (33%) exited to permanent housing. YTD rate is 40%.
Q3	On Target	The Q3 unduplicated clients were 700, and of these 218 (31%) exited to permanent housing. YTD rate is 37%.
Q4	Not Met	The Q4 unduplicated clients were 1,045, and of these 230 (22%) exited to permanent housing. YTD rate is 33.5%.



## MFA Strategic Plan Benchmarks FY 2022



Benchmark: 5

Achieve annual combined average loan delinquencies of MFA serviced portfolio below 9.0%

Q1	On Target	Delinquency for Q1 is 8.62%.
Q2	On Target	Delinquency for Q2 is 8.40%.
Q3	On Target	Delinquency for Q3 is 8.15%.
Q4	Met	Delinquency for Q4 is 8.03%, Exceeding Benchmark by .97%.



Benchmark: 6

Maintain subserviced portfolio delinquency percentage below the Federal Housing Administration Loan Performance Trend delinquency rate (purchase loans only)

Q1	On Target	Maintained a 13.35% delinquency rate compared to an FHA purchase, US delinquency rate of 15.01%.
Q2	On Target	Reduced delinquency to 11.60% delinquency compared to an FHA purchase, US delinquency rate of 13.67%.
Q3	On Target	Maintained a 11.61% delinquency rate compared to an FHA purchase, US delinquency rate as of May 2022 of 12.01%.
Q4	Met	Maintained a 10.48% delinquency rate compared to an FHA purchase, US delinquency rate as of July 2022 of 12.91% Exceeding benchmark by 2.43%



Benchmark: 7

Evaluate at least three new specialty products or significant program or product improvements

Q1	Met	In Q1, MFA staff evaluated three new products or program improvements, including 1) Evaluated eliminating the requirement for single family home borrowers to contribute \$500 to the loan transaction; 2) Evaluated increasing the maximum DPA amount from \$8,000 (unfortunately, the \$8,000 maximum DPA amount is no longer sufficient to cover closing cost and down payment assistance as a result of the continued increase in housing costs); and 3) Evaluated mechanisms and best practices for utilizing CDBG-RHP funding.
Q2	Met	In Q2, MFA did not evaluate any specialty products or significant program or product improvements.
Q3	Met	In Q3, Housing Development updated the Tax Credit Assistance Program (TCAP) NOFA to include a section on the use of program income. Housing Development also created a set-aside for \$1,100,000 to assist 2020 LIHTC projects that have stalled due to construction cost increases related to COVID-19. Additionally, MFA implemented CDBG-RHP through releasing an RFP and making an award. YTD programs evaluated is five and programs implemented is one.
Q4	Met	In Q4, the programs department developed the Acquisition Rehab Resale Program. YTD programs evaluated is six and programs implemented is one.

### Goal 2 - Build a network of advocates and partners that work to create and promote affordable housing in the state



Benchmark: 8

Achieve an average of 1,925 social media engagements each quarter across all platforms.



## MFA Strategic Plan Benchmarks FY 2022

Q1	Caution	In Q1, MFA had 711 total engagements across all social media platforms. This number represents a 43% decrease from the previous quarter, due in part to the turnover in the department that led to a lack of any social media activity in October.
Q2	On Target	In Q2, MFA had 2,795 total engagements across all social media platforms. This number represents a 35% increase from the previous Q2.
Q3	On Target	In Q3, MFA had 3,456 total engagements across all social media platforms. Across all three quarters, the average number of engagements per quarter is currently 2,320.
Q4	Met	In Q4, MFA had 1,144 total engagements across all social media platforms. For the fiscal year, the total number of engagements was 8,106 across all platforms and the average number of social media engagements per quarter was 2,027.



Benchmark: 9

### Expand services of at least one program to an underserved area of the state

Q1	New	During Q1, MFA did not expand services of any programs to an underserved area of the state.
Q2	Met	During Q2, MFA assisted the Espanola Pathways Shelter in acquiring a property to provide shelter services to individuals experiencing homelessness in the City of Espanola. Additionally, following a period of the homeownership assistance program being shut down, MFA implemented the Homeowner Assistance Fund (HAF) permanent program, which provides homeownership assistance statewide. YTD total is two.
Q3	Met	During Q3, MFA provided emergency assistance to counties within the North Central New Mexico Economic Development District in response to the Hermits Peak/Calf Canyon Fire. YTD total is three.
Q4	Met	No programs were expanded to an underserved area in the state in Q4. YTD total is three.



Benchmark: 10

### Conduct outreach to and/or assist at least 105 local governments, tribal governments, potential new program partners and/or elected officials

Q1	On Target	MFA met with five potential partners (4 for Housing LLC regarding the Rehab Program, Native Capital Access, Sawmill Community Land Trust, Anchorum and United South Broadway), assisted three local governments (Town of Silver City, Village of Los Lunas and Los Alamos County), assisted one tribal government (Pueblo of Zuni Housing Authority) and conducted outreach to thirteen elected officials and/or their offices (Senators Heinrich and Lujan, Congresswomen Stansbury and Leger Fernandez, Governor Lujan Grisham, State Speaker Egolf, State Senators Rodriguez, Wirth, Stewart and Munoz, State Representatives Dixon and Romero and Albuquerque City Councilor Benton). Total outreach for Q1 is 22.
Q2	On Target	During Q2, MFA met with three local governments (City of Albuquerque, Town of Taos and Town of Silver City), three tribal governments (Mescalero Apache, Tesuque Pueblo and Zuni Pueblo), and 81 elected officials or their staff (Senators Heinrich and Lujan, Congresswomen Stansbury, Leger Fernandez and Herrell, Governor Lujan Grisham, State Representatives Alcon, Anderson, D. Armstrong, G. Armstrong, Brown, Castellano, Chandler, Chasey, Chatfield, Cook, Crowder, Dixon, Dow, Egolf, Ely, Ezzell, Fajardo, Ferrary, M. Garcia, Garratt, Harper, Hernandez, Herndon, Hochman-Vigil, Lente, Louis, Lujan, Lundstrom, Maestas, Matthews, McQueen, Montoya, Nibert, Ortez, Powdrell-Culbert, Rehm, Romero, Rubio, Scott, Small, Strickler, Sweetser, Terrazas, Thomson and Townsend, and State Senators Baca, Brandt, Burt, Campos, Cervantes, Diamond, Gallegos, Gonzales, Griggs, Hemphill, Hickey, Ingle,





## MFA Strategic Plan Benchmarks FY 2022

		Kernan, Moores, Munoz, Neville, O'Neill, Ortiz y Pino, Padilla, Pirtle, Pope, Rodriguez, Schmedes, Sharer, Stefanics, Steinborn, Stewart, Tallman, Wirth and Woods). YTD unduplicated number is 95.
Q3	On Target	During Q3, MFA met with four local governments (Ruidoso, Los Lunas, Santa Fe Public Schools and Grants), six elected officials or their staff (Senator Heinrich, Representative Stansbury, State Senator Ortiz y Pino, and State Representatives Romero, Dixon and Chandler), six potential new partners (Washington Office of Rural and Farmworkers Housing, Mesa del Sol, State of New Mexico Aging and Long Term Services Department, New Mexico Municipal League, TriState, and Spire Development), and one tribal government (Pueblo of Isleta). YTD unduplicated number is 104.
Q4	Met	During Q4, MFA met with Representative Rubio, Representative Herndon, Senator Moores, Office of Rural and Farmworker Housing, Representative Cadena, Representative Small, Representative Sweetser, New Mexico Association of Counties, Senator Heinrich, Representative Stansbury, Senator Lujan, Urban Land Institute, Artisan Guild Construction, City of Gallup, Town of Bernalillo and Magdalena School District. Representative Ezzell, Rep. Nibert, Rep. Townsend, Mayor of Taos - Maestas, Taos County Manager Jaramillo, Meeting with State Land Commissioner - Garcia Richard, Albq City Councilor Renee Grout, Rep Sweetser, Rep Rod Montoya. YTD unduplicated number is 114.



Benchmark: 11

**Provide at least 50 formal group training opportunities for property owners, developers, service providers and/or lenders**

Q1	On Target	During Q1, MFA held seven trainings, including four single family mortgage trainings with 107 participants, a QAP training, a CDBG-RHP RFP training as well as a 4 for Housing, LLC training.
Q2	On Target	During Q2, the Community Development Department held a total of 7 Peer Exchanges (COC, EHAP, HOPWA, Linkages, Rap Rehab/Vet & a WAP PAC meeting). Additionally, MFA held 27 homeownership trainings. Total YTD is 41.
Q3	Met	During Q3, Homeownership held 11 trainings. YTD total is 52.
Q4	Met	CDD provided 6 formal Peer Exchange trainings in the 4th quarter. RAP on 7/6 HOPWA on 7/19 YHDP & EHAP Shelters on 8/11 NM Energy\$mart on 9/19 HOME Rehab on 9/26 COC on 9/28; HD provided Section 3 and HUD Setup/Completion Form training to Yes Housing, Inc and Pavillion Construction on 9/26; HD provided Environmental Review Process training to San Felipe and Ohkay Owingeh on 9/26; AMD provided a VAWA training for our owners/agents on 9/27



# MFA Strategic Plan Benchmarks

## FY 2022

YTD: 61



Benchmark: 12

**Implement MFA housing summit or open house.**

Q1	On Target	Summit is planned for Sept. 14-16, 2022.
Q2	On Target	Summit planning is continuing for Sept. 14-16, 2022.
Q3	On Target	Summit is in the final stages of planning for Sept. 14-16, 2022.
Q4	Met	The Housing Summit was held on Sept. 14-16, 2022. The attendance for the summit was at maximum capacity for the venue and had a record number of attendees, with 500+ in attendance.

### Goal 3 - Maintain judicious financial stewardship and principled, efficient business practices



Benchmark: 13

**Obtain unqualified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs, excluding first-time audits**

Q1	New	Audit is delayed pending OMB audit guidance for the HAF Program ARPA funds.
Q2	Met	The Board approved the audit in March, which included an unqualified opinion and no material weaknesses.
Q3	Met	Met in Q2.
Q4	Met	Met in Q2



Benchmark: 14

**Maintain or improve credit rating**

Q1	On Target	No ratings activity during the quarter. MFA maintains a Aa3 Stable rating on its issuer credit rating.
Q2	On Target	There was no ratings activity during the quarter. MFA maintains a Aa3 Stable rating on its issuer credit rating.
Q3	On Target	There was no new rating activity during the quarter. MFA maintains an Aa3 Stable rating on its issuer credit rating.
Q4	Met	There was no new rating activity during the quarter. MFA maintains an Aa3 Stable rating on its issuer credit rating.



Benchmark: 15

**Achieve operating performance and profitability equal to net revenues over total revenues of at least 11.3%, based on five-year average.**

Q1	On Target	Operating performance and profitability as of 12/31/21 is 7.5%.
Q2	On Target	Operating performance and profitability as of 3/31/22 is 11.4%.
Q3	Caution	Operating performance and profitability as of 6/30/22 was 10.1%.
Q4	Not Met	Operating performance and profitability as of 9/30/22 is 11.1%. It is within the lower end of the 10-15% optimal range.





## MFA Strategic Plan Benchmarks FY 2022



Benchmark: 16

Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 26.8%, based on five-year average.

Q1	On Target	Balance sheet strength as of 12/31/21 is 27.4%.
Q2	On Target	Balance sheet strength as of 3/31/22 is 27.8%.
Q3	On Target	Balance sheet strength as of 6/30/22 is 27.0%.
Q4	Not Met	Balance sheet strength as of 9/30/22 is 26.1%. It is greater than 20% and considered strong.



Benchmark: 17

Realize administrative fee of at least 18 basis points on all bond issues

Q1	On Target	MFA closed on the 2021 Series D bond issue and realized an administrative fee of 18 basis points.
Q2	On Target	MFA closed on the 2022 Series A bond issue and realized an administrative fee of 18 basis points. MFA Closed on the 2022 Series B (taxable refunding) and expects to realize an administrative fee of 1.618%.
Q3	On Target	MFA closed on the 2022 Series C bond issue and realized an administrative fee of 18 basis points.
Q4	Met	MFA closed on the 2022 Series D bond issue and realized an administrative fee of 18 basis points.



Benchmark: 18

Realize profitability of .5% on TBA executions

Q1	On Target	MFA completed the first quarter with a FYTD TBA profitability of 1.40%.
Q2	Caution	MFA completed the second quarter with a FYTD TBA profitability of 0.87%.
Q3	Caution	MFA completed the third quarter with a FYTD TBA profitability of 0.46%. The TBA market has experienced volatility to the point where it is no longer functional. MFA is currently not utilizing TBA for either First Home or Next Home.
Q4	Not Met	MFA completed the fourth quarter with a FYTD TBA profitability of 0.33%. The TBA market has experienced volatility to the point where it is no longer functional. MFA is currently not utilizing TBA for either First Home or Next Home.



Benchmark: 19

Maintain servicing fee yield at an average of 0.41% of the purchased servicing portfolio

Q1	On Target	The servicing fee yield at 12/31/21 is .42%.
Q2	On Target	The servicing fee yield at 03/31/22 is .42%.
Q3	On Target	The servicing fee yield at 06/30/22 is .41%.
Q4	Met	The servicing fee yield at 9/30/22 is .41%.





## MFA Strategic Plan Benchmarks FY 2022

Benchmark: 20

Earn 100% base fees for PBCA contract

Q1	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned.
Q2	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned.
Q3	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned.
Q4	Met	All PBCA tasks were completed as required by the contract, and 100% of the base fees were earned for this quarter and the fiscal year.



Benchmark: 21

Yield a collection rate of 95% or greater for compliance monitoring fees

Q1	On Target	Invoices for compliance fees were processed and sent out to owner/agents this quarter.
Q2	On Target	As of 3/31/2022, 92% of the compliance fees have been collected.
Q3	Met	As of 6/30/2022, 99% of the compliance fees have been collected.
Q4	Met	Completed 100% of the compliance fees have been collected.



Benchmark: 22

Meet commitment and expenditure requirement of 95% of recurring grant funding

Q1	On Target	The commitment and expenditures rate at 12/31/21 is 100%.
Q2	On Target	The commitment and expenditures rate at 3/31/22 is 96%.
Q3	On Target	The commitment and expenditures rate at 6/30/22 is 96%.
Q4	Not Met	The commitment and expenditures rate at 9/30/22 is 93%.



Benchmark: 23

Provide at least \$7,700,000 in resources for affordable housing through expenditure of New Mexico Housing Trust Funds, contributions through the state affordable tax credit program, and allocations of 4% LIHTCs.

Q1	On Target	Total of resources provided in Q1 is \$4,228,046.
Q2	On Target	No closings in Q2. Total of resources provided in Q1 was \$4,228,046 for a YTD total of \$4,228,046.
Q3	On Target	Total of resources provided in Q3 was \$719,682 for a YTD total of \$4,947,731.
Q4	Met	Total of resources provided in Q4 was \$3,348,070 for a YTD total of \$8,295,801.



Benchmark: 24



## MFA Strategic Plan Benchmarks FY 2022

### Evaluate at least one new business model or financial tool

Q1	Met	In Q1, MFA evaluated changes to bond issuance strategy in anticipation of a rising interest rate environment.
Q2	Met	In Q2, MFA started researching if MFA should become our own service provider. YTD evaluated is two.
Q3	Met	In Q3, MFA evaluated and implemented Govenda software for board meetings. YTD total evaluated is three and implemented is one.
Q4	Met	In Q4, MFA created the Acquisition Rehab Resale Program Project Feasibility Tool which will be used to evaluate financial feasibility on a per project level. YTD evaluated is four and implemented is one.



Benchmark: 25

### Increase funding by at least six new source

Q1	On Target	During Q1, MFA increased funding by one new source. In December 2021 the New Mexico State Legislature appropriated \$15 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (FRF) to MFA for energy efficient affordable housing.
Q2	On Target	During Q2, MFA increased its funding sources by four new sources. During the 2022 Legislative Session, the state legislature appropriated \$10 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (FRF) for affordable housing through the New Mexico Housing Trust Fund (NMHTF), an additional \$9 million in capital outlay through NMHTF, and approved SB 134, which created recurring funding to the NMHTF through severance tax bonding capacity. Additionally, MFA executed a grant agreement with the State's Department of Finance and Administration (DFA) to administer \$4.66 million in CDBG-CV funding to support the development of two rental communities. YTD total new funding sources added is five.
Q3	On Target	During Q3, MFA did not add any new funding sources. YTD total new funding sources added is five.
Q4	Met	During Q4, MFA executed a grant agreement with the State's Aging and Long Term Services Department for funding to support rural senior housing. YTD total sources is six.



Benchmark: 26

### Improve at least 15 MFA processes or resources

Q1	On Target	During Q1, the Servicing Department implemented the process of improvement of a combination of lockbox. This process improvement impacts daily and month-end processes and saves time as Servicing only needs to run one file for one-time payments and only reconcile month-end batch totals one time. Additionally, the Communications Department implemented an online ticketing system that improved the efficiency of its processes. YTD processes improved is two.
Q2	On Target	First, Servicing in response to Payment History Requests, created a 'dummy' account in the MFA online portal allowing the customer service rep to navigate the screens of the MFA online portal to walk the borrower through obtaining the information on a self serve basis. Next, Servicing with the help of IT for Document Requests, added Desktop FAX capabilities allowing the customer service representative the ability to FAX documents via their desktop, providing additional work tools to save time and provide additional tools for teleworking. Additionally, for Mitas reporting, a report was created to identify balances below \$100. This allows Servicing to be proactive in reaching out to borrowers with a low balance for pay off. This is a quick report that can be generated instantaneously. Next, IT created a database to convert Idaho Text files to Database files. This removes the step for staff to have to convert text file to excel files. Also,



# MFA Strategic Plan Benchmarks

## FY 2022

templates were created for cutoff, Trial Balance and arrears reports to import monthly data when needed. This is now a quick process where the months reports can be created using the templates. Further, Servicing and Marketing created borrower friendly links on the MFA Homepage, which gives immediate access to the Servicing page, and quick access to Servicing links from the HOME page. It also allows staff to provide direction to borrower from HOME Page. In addition, MFA transitioned to the Govenda Board Portal for monthly board meetings. Finally, credit card processing was expanded and enhanced through online services. YTD processes improved is ten.

Q3 Met

During Q3, MFA implemented nine process improvements. First, Servicing implemented the Paymentus IVR system allowing borrowers to make payments via this automated system without having to speak directly to a customer service representative. This process improvement also saves the borrower \$9.05 pay by phone fees. Next, Servicing completed the Home POA Project in May 2022. The department notified approximately 1,400 borrowers whose loan has been forgiven and that the release would be mailed to them in the coming weeks. As of June 2022 the team has completed and mailed 337 HOME releases. Additionally, Servicing improved the Home Credit Bureau system. Staff validated all HOME loans are successfully populated with the period of affordability date. A batch report was created to validate and track the POA dates and will be run on a monthly bases to update the system and issue releases timely. Next, The IT department has turned over the capability of running WX reports to the WX team. This has helped obtain data quickly and removed extra unnecessary strain on IT. The information can be tailored to be more specific and work with the data instead of continuing to put in more requests if something is missing or more information is needed. The data is used to meet important program goals. Additionally, IT implemented on-line invoicing systems for YHDP, the Espanola Shelter and \$50,000 received from Falling colors, which went live as of 7/1/22. Further, MFA obtained board approval to streamline the delegations of authority. Finally, MFA enhanced ADP to offer training and other resources through the system for MFA staff. YTD processes improved is 19.

Q4 Met

Servicing has translated the borrower ACH Setup and Removal and Welcome package to Spanish, making it easier for our new Spanish speaking borrowers to understand the process of setting up recurring payments, where to make their payment, and how obtain their loan information. In Q4, MFA evaluated and implemented the use of an Annual Bond resolution for Single Family bond issuances. This financial tool will make the bond issuance process more efficient. YTD processes improved is 21.

### Goal 4 - Provide robust technology solutions



Benchmark: 27

Maintain a RS3 score greater than or equal to 765 averaged over four quarters

Q1 On Target

MFA's internal and external penetration testing was completed on 11/2/2021. MFA received a RiskSense Security Score (RS3) of 803 (low risk).

RS3 represents MFA's cyber security posture, measuring risk posed by existing vulnerabilities and current potential threats. The rating range is from 300 (high risk) to 850 (very low risk).

Q2 On Target

MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 791. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training in Q2. Average for first two quarters is 797.

Q3 On Target

MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 808. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training



## MFA Strategic Plan Benchmarks FY 2022

on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training in Q3. Average for first three quarters is 801.

Q4	Met	MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 808. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training in Q4. Average for the four quarters is 803.
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Benchmark: 28

**Achieve a Recovery Point Objective (RPO) for infrastructure servers at or below ten minutes and a Recovery Time Objective (RTO) at or below six hours.**

Q1	On Target	The current RPO for all critical infrastructure equipment is currently meeting the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just over one hour, which is below the goal of six.
Q2	On Target	The current RPO for all critical infrastructure equipment continues to meet the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just under one hour, which continues to be below the goal of six.
Q3	On Target	The Q3 RPO for all critical infrastructure equipment continues to meet the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just under one hour, which continues to be below the goal of six.
Q4	Met	The current RPO for all critical infrastructure equipment continues to meet the Service Level Agreement of less than 5 minutes and the tested failover Recovery Time Objective was just under one hour, which continues to be below the goal of six.



Benchmark: 29

**Implement new software solutions**

Q1	On Target	Completed the implementation of the IHFA ULDD data upload to Power Seller, several cyber-security measures including a new firewall installed and updates to Cisco AnyConnect, Duo Multi-factor Authentication, and Cisco Umbrella. SQL server audit and best practices implemented. RFP and selection of vendor for HAF program.
Q2	On Target	Working with Servicing on implementation of Paymentus, will be completed in Q3. Home Database enhancements in works and scheduled for Q3. YHDP reporting requirements gathered.
Q3	On Target	Completed Home Database enhancements, MITAS Check Register imported to Neghborly and OnlineInvoicing currently shutdown for updates that will be completed in Q4.
Q4	Met	Added Youth Homeless Demonstration Program, Espanola Pathways Shelter Program, and RAP: Falling Colors to online invoicing system for homeless and supportive services programs and added Weatherization Readiness Fund to New Mexico Energy Smart online invoicing system.

### Goal 5 - Foster a dynamic work environment





## MFA Strategic Plan Benchmarks

### FY 2022

Benchmark: 30

Participate in Annual Employee Engagement Survey and determine and implement actionable steps to address opportunities for improvement.

Q1	On Target	Survey will not occur until April timeframe
Q2	On Target	Registered for survey in April. Survey due to commence in May.
Q3	On Target	Engagement survey complete. Recognized as a finalist for Best Places to Work. Survey details released for review.
Q4	Met	Engagement survey complete. Recognized as a finalist for Best Places to Work. Actionable steps developed



Benchmark: 31

Complete compensation survey

Q1	On Target	Process to start third quarter
Q2	On Target	In progress
Q3	Met	Compensation Survey complete. Presenting to PC

# Tab 4



# Budget Overview – FY22

Lizzy Ratnaraj, Chief Financial Officer

Legislative Oversight Committee  
November 30, 2022



# FY21 - FY22 Production & Financial Highlights

## 2021 COVID RESPONSE, TEAM EXPANSION & REORGANIZATION:

- Recovering from record mortgage delinquencies due to COVID-19
- Assisted New Mexicans with COVID-19 funds (CRF, CDBG-CV, HAF, ESG-CV, HOPWA-CV) *Revenue, Expenses, Assets Managed, Liquidity*
- High construction costs threaten new affordable housing projects (-2022)
- Building renovation completed *Expenses*
- Fifth record year of Single Family Mortgage Production *Revenue, Production/Assets Managed*

## 2022 ADAPTING TO CHANGING MARKET CONDITIONS:

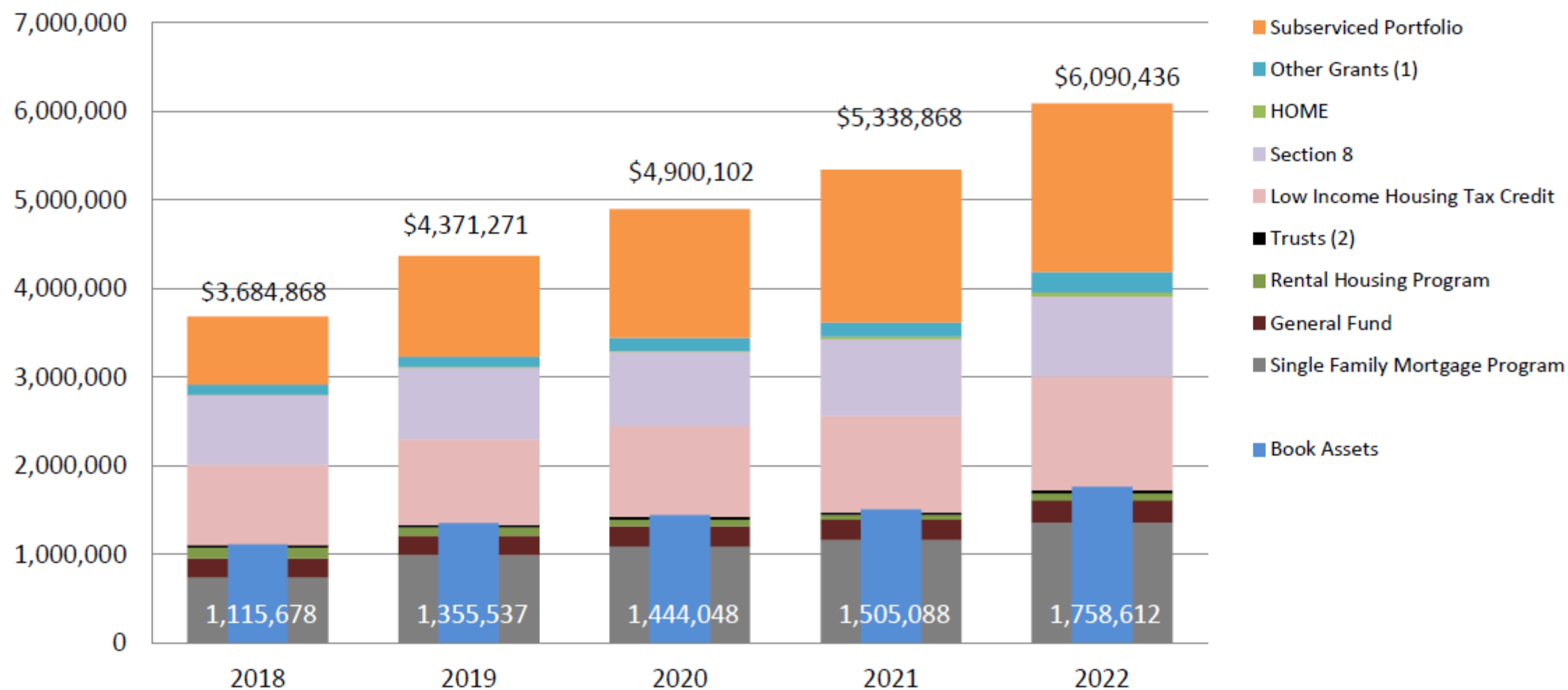
- Strongly favored Bond vs. TBA funding *Revenue, Expenses, Assets Managed*
- Revised/increased DPA amounts *Revenue, Assets Managed*
- Secured recurring NMHTF monies *Revenue, Expenses, Assets Managed*
- Administering ARPA programs \$103 mm *Revenue, Expenses*
- Decreased Single Family Mortgage Production *Revenue, Production/Assets Managed*
- Awarded additional LIHTC and GAP funding to MF developments *Revenue, Assets Managed*
- Received \$22 mm in DOE BIL funding for WAP/5 years *Revenue, Expenses*

### IMPACT LEGEND:

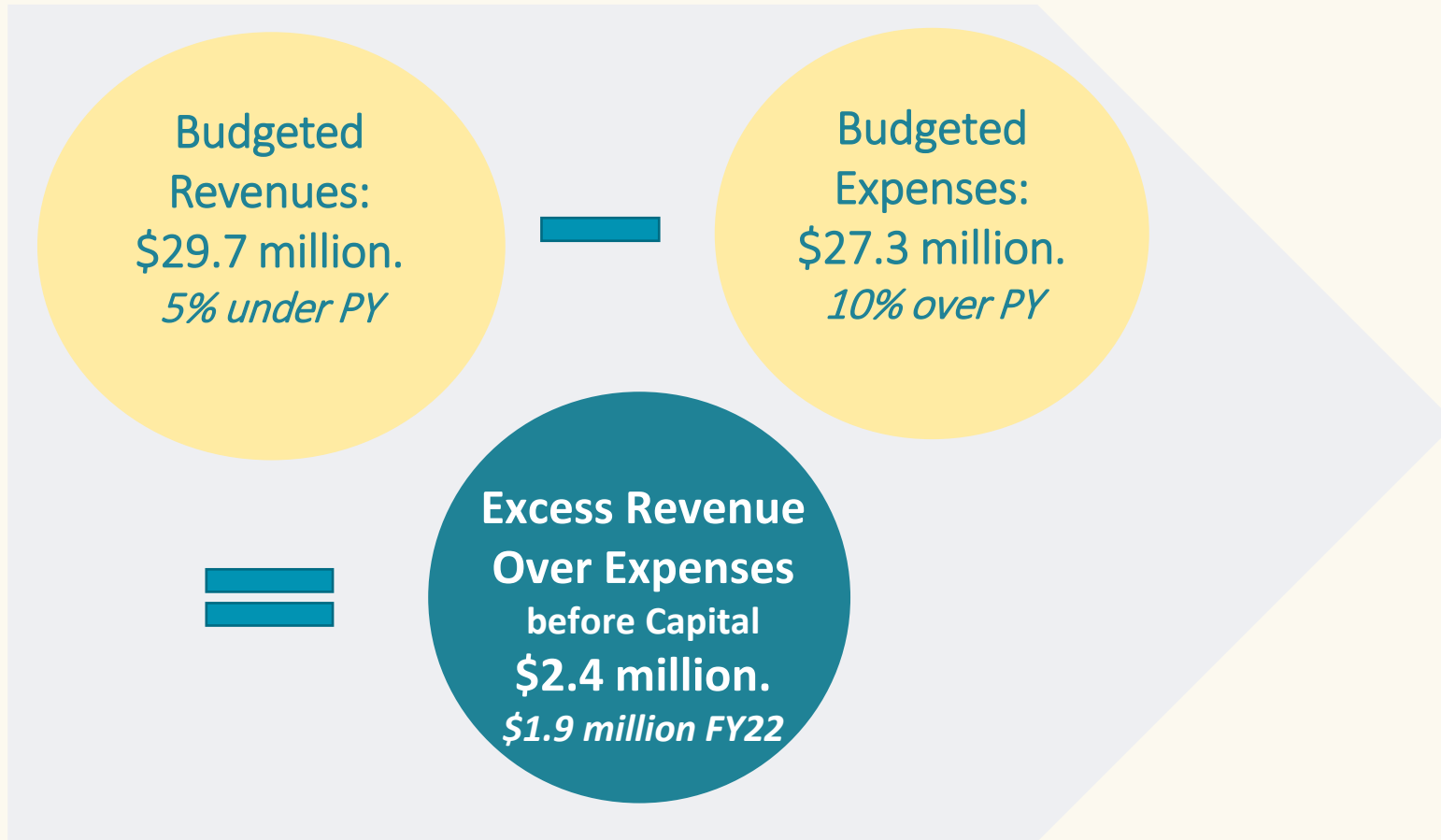
*Red : Negative Impact*

*Green: Positive Impact*

# Assets Under Management as of 9/30/2022 (\$ in thousands)



# FY23 Operating Budget



- The reserves created from excess revenue over expenses are used to meet rating agency reserve requirements and to fund MFA's internal revolving loan fund to [support affordable housing activities](#).

# Summary of Significant Budget Variances

FY 2022 to FY 2023

## DECREASE IN ADMINISTRATIVE FEE INCOME

- Projected decrease in TBA loan production results in less Admin fees earned on secondary market sales.

## COMPENSATION INCREASES

- 3.75% salary increase including .50% for inflation; merit-based process; organization-wide average.
- Due to organization growth, added 5.5 FTE.
- Benefit increases of 11% due to increased insurance premiums.

## MISCELLANEOUS VARIANCES

- Non-Cash Expenses- a decrease of 16% due to a decrease in amortization of servicing rights due to the decrease in production and payoffs, offset by an increase in provision for loan losses due to the growing down payment assistance loan portfolio.
- An increase in Repairs, Maintenance & Leases due to an increase in the HAF program software and moving to cloud computers and storage.

## LOAN PORTFOLIO INCOME

- Increased loan servicing income due to the growing balance of the loan portfolio. *(also increases related expenses)*
- Increased interest income due to the increase in down payment assistance loan production.

## CHANGES IN DIRECT SERVICING EXPENSES

- A decrease in subservicing fees and a decrease in lender compensation expense is expected due to a forecasted reduction in overall loan production.

## CHANGES IN INTEREST EXPENSES

- A significant increase (294%) in interest expense is due to the increase in interest rates anticipated for borrowings obtained to fund the warehouse loans.

# Operating Revenue Summary 2018-2023

Millions

4.5  
4.0  
3.5  
3.0  
2.5  
2.0  
1.5  
1.0  
0.5  
0.0

2018

2019

2020

2021

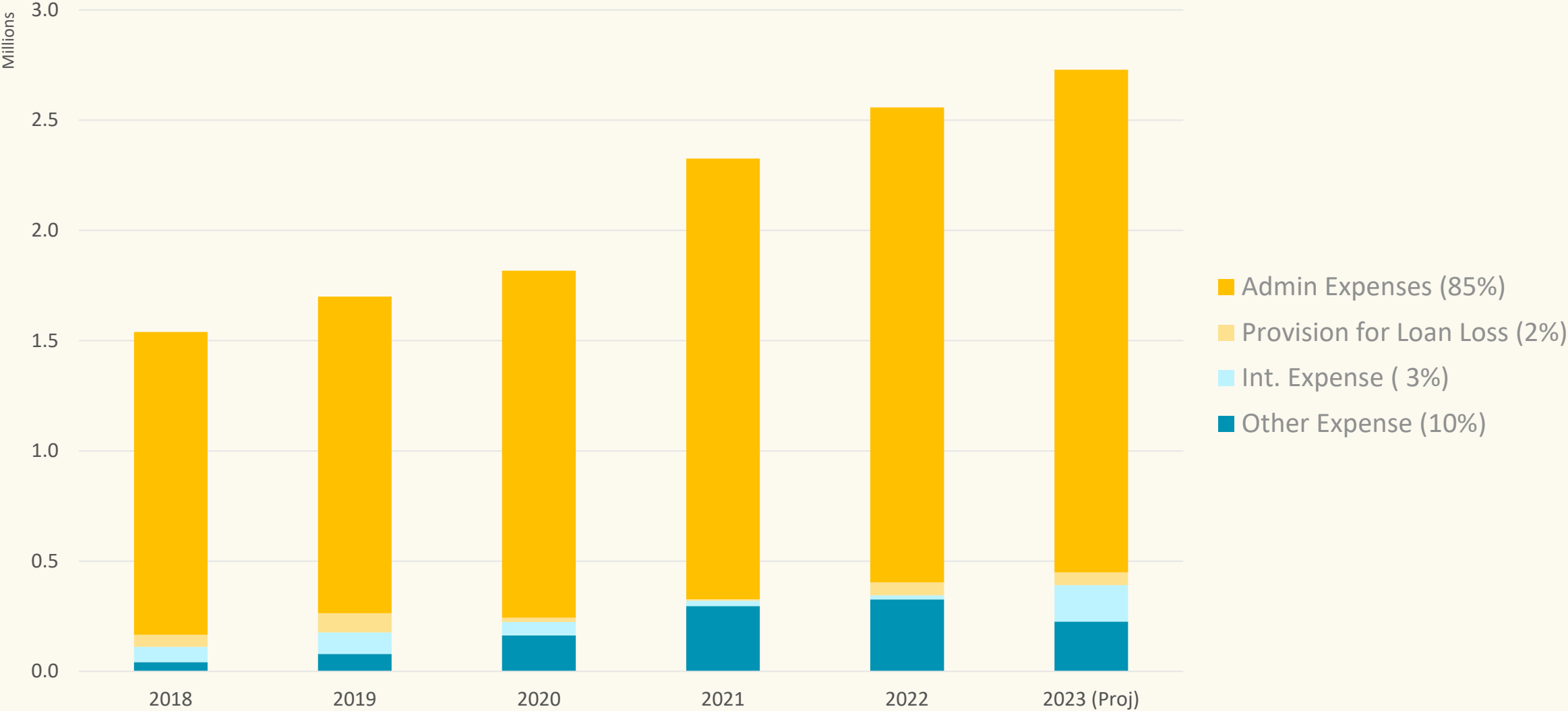
2022

2023 (Proj)

- Admin Fees (44%)
- Interest-Loans (24%)
- Housing Program Income (5%)
- Servicing Income (20%)
- Interest-Investments (6%)
- Other Income (1%)

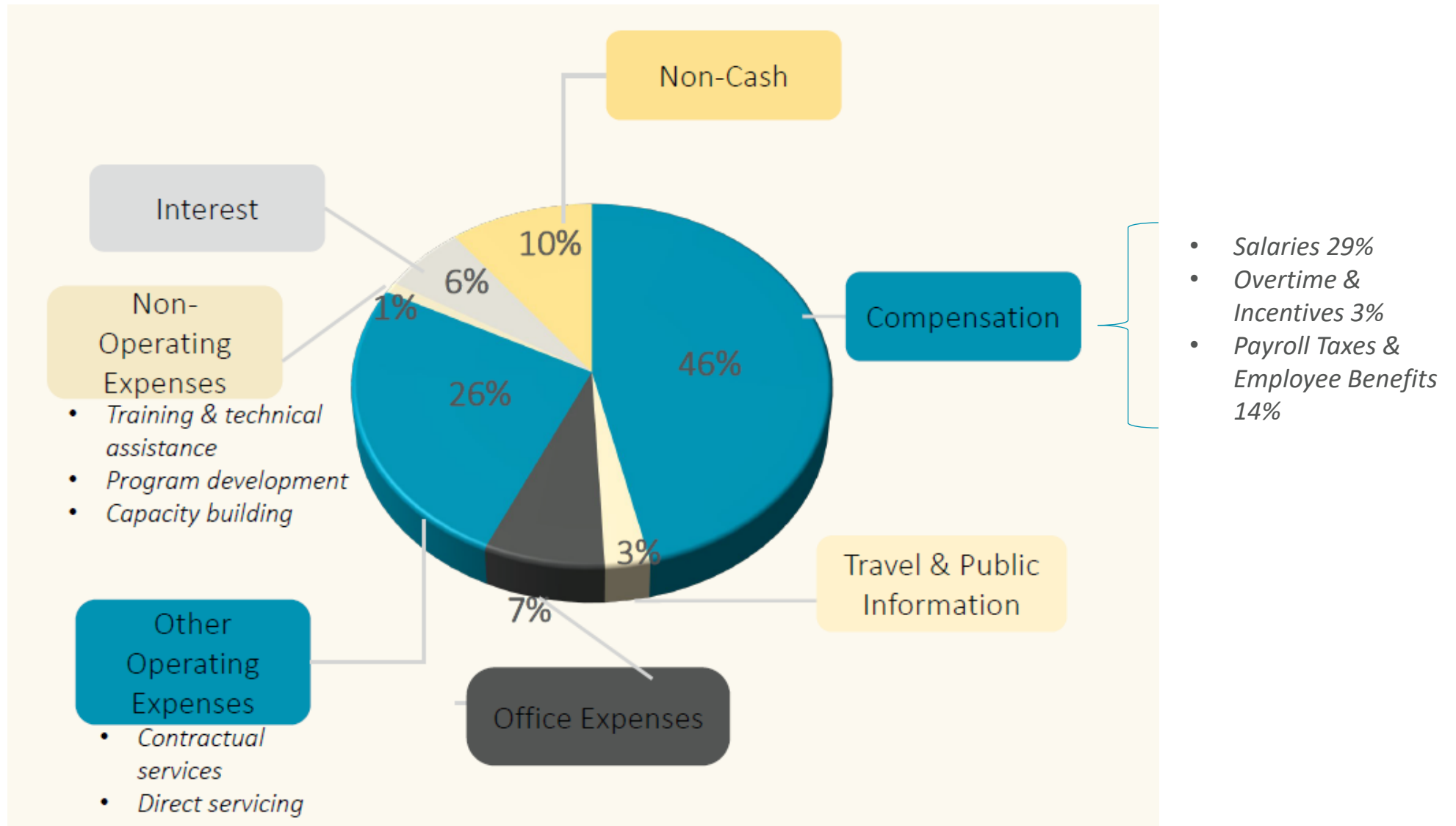


# Operating Expense Summary 2018-2023



# Administrative Expense Breakdown

MFA General Fund: FY 2023 Budget



# FY23 Capital Budget

## FY22

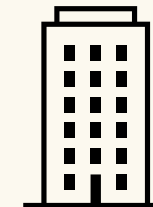
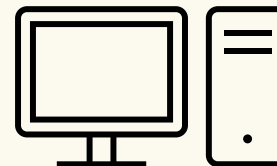
Purchased Servicing Rights	\$ 3,354,189
Furniture & Equipment	\$ 23,650
Computer Hardware	\$ 42,131
Building	\$ 0
Total	<u>\$ 3,419,970</u>

## FY23

Purchased Servicing Rights	\$ 4,350,847
Furniture & Equipment	\$ 0
Computer Hardware	\$ 40,324
Building	\$ 0
Total	<u>\$ 4,391,171</u>

## VARIANCE

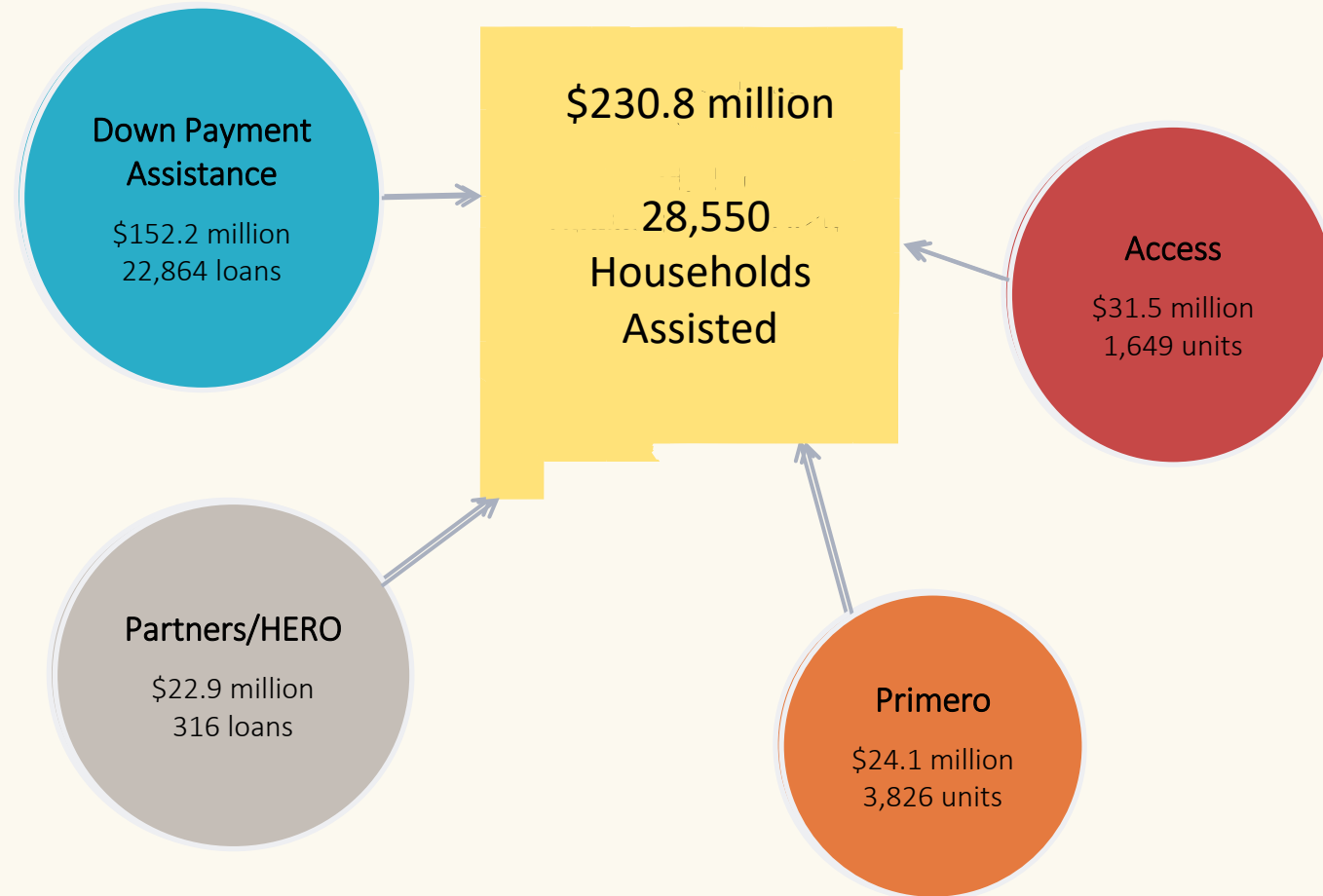
- Increase in purchased servicing rights FY23 as the actual purchased servicing rights in FY22 below projection due to a decrease in single-family mortgage production.





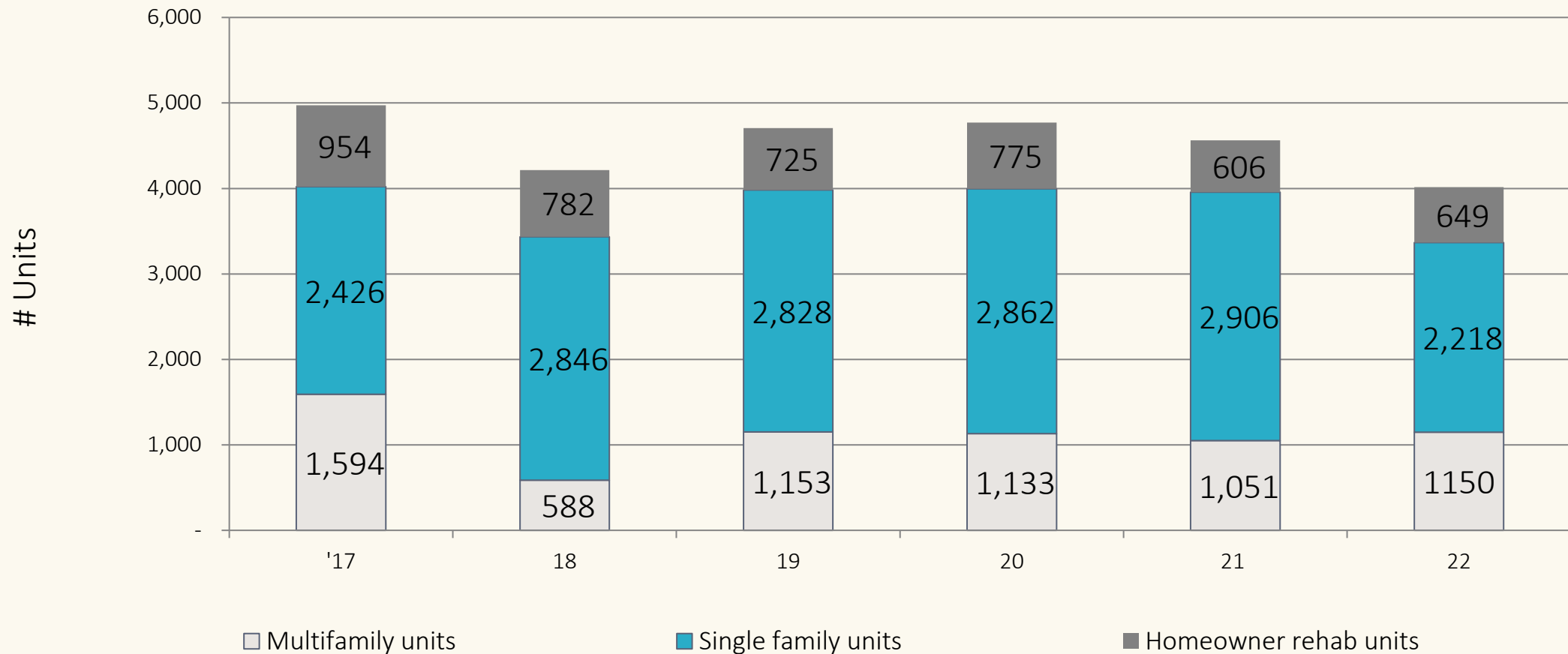
# MFA's Housing Opportunity Fund

Investing in New Mexico



# FY17-FY22 Production Data

Multifamily, Single Family First Mortgage and Single-Family Homeowner Rehab Units





# Comments & Questions

Legislative Oversight Committee  
November 30, 2022

# Tab 5



# MEMO

**TO:** Legislative Oversight Committee  
Through: MFA Board of Directors – November 16, 2022  
Through: Policy Committee – October 4, 2022

**FROM:** Jeff Payne, Chief Lending Officer  
Julie Halbig, Director of Compliance and Initiatives

**DATE:** November 30, 2022

**SUBJECT:** Approval of Proposed Amendment to MFA Rules and Regulations

## **Recommendation:**

MFA staff recommends discussion and adoption of amended language outlined herein to the MFA Rules and Regulations.

## **Background:**

Pursuant to Section 58-18-8 NMSA 1978, Rules and Regulations of the authority:

- A. The authority shall adopt and may from time to time modify or repeal, subject to prior approval by the Mortgage Finance Authority Act oversight committee, rules and regulations...

Pursuant to New Mexico Statutes Section 58 Financial Institutions and Regulations, Article 18, the rules and regulations governing MFA must be approved by an oversight committee from the New Mexico legislature.

As required by Section 10 of the MFA Rules and Regulations, MFA will provide an opportunity for public comment by posting the Notice of Request for Public Comment and Proposed Amendments to MFA Rules and Regulations on MFA's website.

## **Discussion:**

Throughout this past year, MFA has had numerous discussions with state and local elected officials, community leaders and economic development stakeholders regarding the need for more assistance for those households that are in need of workforce housing (law enforcement, firefighters, teachers and municipal employees). These are households where both adults are working a full-time job yet they are being priced out of the housing property market.

The proposed changes in language would be to the definition of "moderate income" in MFA's Rules and Regulations. Currently, the definition reads as follows:

BB. “Persons of Very Low, Low or Moderate Income” shall mean the categories of income levels attributed to persons and families for the determination of eligibility for MFA’s programs. Very Low, Low or Moderate Income persons and families within the state are those who are determined by MFA to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of quality affordable residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by MFA to be in need of the assistance made available by the Act, taking into consideration, without limitation, such factors as defined under the Act. For purposes of this definition, the word “families” shall mean a group of persons consisting of, but not limited to, the head of a household; his or her spouse, if any; and children, if any, who are allowable as personal exemptions for Federal income tax purposes. Very Low Income persons or families are those with income at or below 50% of the Area Median Income (“AMI”). For Loans to persons and families on Indian Reservations, MFA will use the income basis determined under HUD’s Native American Housing and Self Determination Act (NAHASDA). Low Income persons or families are those with income above 50% and up to 80% of the AMI. Moderate Income persons or families are those with income above 80% and up to 120% of the AMI, or up to 140% AMI, on a program-by-program basis, as determined by MFA, in light of the needs throughout the State and in accordance with the requirements of the Act. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes.

The proposed change for your consideration would be to change the definition of “moderate income” on page 4 of the MFA Rules and Regulations.

“Persons of Very Low, Low or Moderate Income” shall mean the categories of income levels attributed to persons and families for the determination of eligibility for MFA’s programs. Very Low, Low or Moderate Income persons and families within the state are those who are determined by MFA to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of quality affordable residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by MFA to be in need of the assistance made available by the Act, taking into consideration, without limitation, such factors as defined under the Act. For purposes of this definition, the word “families” shall mean a group of persons consisting of, but not limited to, the head of a household; his or her spouse, if any; and children, if any, who are allowable as personal exemptions for Federal income tax purposes. Very Low Income persons or families are those with income at or below 50% of the Area Median Income (“AMI”). For Loans to persons and families on Indian Reservations, MFA will use the income basis determined under HUD’s Native American Housing and Self Determination Act (NAHASDA). Low Income persons or families are those with income above 50% and up to 80% of the AMI. Moderate Income persons or families are those with income above 80% and up to 150% of the AMI adjusted for family size. Moderate income limits may be adjusted for high-cost areas to accommodate qualification for purchase of a median priced home in a county of the subject property or rent at the fair market rate. This definition of moderate income

applies to all non-federal unrestricted programs administered by MFA. All federal and restricted programs will continue to follow the income requirements outlined in statute, regulations, guidance or contractual documents. This definition is in line with the needs throughout the State and in accordance with the requirements of the Act. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes.

The proposed change would increase from 120% of AMI to 150% of AMI for certain non-federal, unrestricted programs administered by MFA. In addition, for high-cost areas around the state (such as Santa Fe, Taos and Lincoln County), it would allow “moderate income” to be defined in such a way as to qualify a borrower for the purchase of a median priced home in a high-cost area or rent at fair market rate. This definition of “moderate income” would apply to a narrow set of programs such as the:

- Housing Opportunity Fund
- NM Housing Trust Fund
- MFA General funds; and
- MFA taxable bonds.

One example where this change in definition would be beneficial is NextHome, our non-First Time Home Buyers (FTHB) program. The product is currently suspended as we cannot price due to market volatility. The statewide income limit is currently set at \$95,000. The New Mexico Housing Trust Fund would also be a program where additional flexibility could be used successfully for affordable housing projects seeking to serve households up to 150% of AMI.

For federal, restricted programs, MFA would continue to apply the definition of “moderate income” per the regulations of that particular program or funding stream. In most cases that is up to 120% of moderate income. For example: MFA’s FirstHome and FirstDown will remain subject to the IRS published guidelines. HomeNow adheres to the lessor of the IRS or HUD’s HOME published limits. However, the Homeowner Assistance Fund (HAF) allows persons with income up to 150% of AMI to qualify. The HAF program provides some precedent at the federal level to define moderate income up to 150% of AMI.

There are references to “moderate income” throughout the rest of the MFA Rules & Regulations.

#### **Summary:**

Staff is proposing adoption of the amendment to MFA’s Rules and Regulations to allow for more flexibility in serving “moderate income households” within New Mexico.

## NEW MEXICO MORTGAGE FINANCE AUTHORITY RULES AND REGULATIONS

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**SECTION 1. AUTHORITY.** These Rules and Regulations are issued under and pursuant to the Mortgage Finance Authority Act, enacted as Chapter 303 of the Laws of 1975 of the State of New Mexico, as amended; Chapter 86 of the Laws of 1982 of the State of New Mexico, as amended (being Section 58-18-1 through 58-18-27, N.M.S.A. (1978); and Section 2-12-5, N.M.S.A. (1978), as amended (collectively, the “Act”). These Rules and Regulations supersede and replace all prior rules and regulations of MFA and will become effective upon approval of MFA Oversight Committee.

**SECTION 2. PURPOSE AND OBJECTIVES.** These Rules and Regulations are established to effectuate, and shall be applied so as to accomplish, the general purposes of the Act and the following specific objectives: (i) expanding the supply of funds in New Mexico available for new residential mortgages for persons and families of low or moderate income; (ii) alleviating the shortage of adequate housing, including multiple-family, transitional and congregate dwellings, in New Mexico for persons and families of low or moderate income; (iii) encouraging and providing the financing for the acquisition, construction, rehabilitation and improvement of residential housing, including multiple-family, transitional and congregate dwellings, in New Mexico for persons and families of low or moderate income; (iv) down payment assistance for persons and families of low or moderate income; (v) assisting in providing mortgage loans at below market interest rates for private individuals, organizations and entities willing to undertake the acquisition, development and/or operation of multiple-family, transitional and congregate dwellings for persons and families of low or moderate income; and (vi) obtaining the effective participation by lending institutions and others in the mortgage purchase program authorized by the Act, while restricting the financial return and benefit to such lending institutions to that necessary and reasonable to induce such participation. In carrying out its objectives and purposes, the New Mexico Mortgage Finance Authority, pursuant to the Act has the power to raise funds from private and public investors to make funds available for such purposes; to create and implement programs from time to time as may be necessary or appropriate to accomplish its purposes; and to assist, administer, finance or service housing programs and to contract for such services for or through private and nonprofit organizations and local, state, federal and tribal agencies or their instrumentalities.

**SECTION 3. GENERAL DEFINITIONS.** The following words and terms shall have the following meanings. A statutory change in the New Mexico Mortgage Finance Authority Act of any of the following definitions shall result in a corresponding change in the meaning of the same word or term within Section 3. of these Rules and Regulations.

A. “Act” shall mean the Mortgage Finance Authority Act, enacted as Chapter 303 of the Laws of 1975 of the State of New Mexico, as amended (being Sections 58-18-1 through 58-18-27, inclusive, N.M.S.A. (1978), as amended).



B. “Affiliate” shall mean any entity controlling, controlled by or under the common control of another entity, person, or common parent company; provided that an entity which is a Mortgage Lender, must meet MFA’s requirements set forth in the Policies and Procedures of MFA. For the purposes of this definition, “control” when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract, statute or otherwise. For purposes of this definition the terms “person” and entity” include non-profit corporation, other public entities, governmental agencies and instrumentalities, Mortgage Lenders, Sponsors, Builders, and Applicants.

C. “Affordable” shall mean consistent with minimum rent and/or income limitations set forth in the Act, and in guidelines established for specific programs administered by MFA.

D. “Applicant” shall mean a lending institution, non-profit corporation, public or tribal entity, governmental agency or instrumentality, Mortgage Lender, Builder, Sponsor, or Affiliate of any of the foregoing, or any other person or entity meeting the appropriate criteria of MFA.

E. “Application” shall mean an application for MFA approval to participate in one or more programs of MFA submitted by an Applicant to MFA.

F. “Bonds” or “Notes” shall mean the bonds or bond anticipation notes, respectively issued by MFA pursuant to the Act.

G. “Builder” shall mean a person or entity licensed as a general contractor to construct Residential Housing in the state which has been approved by MFA to participate in an MFA program.

H. “Code” shall mean the Internal Revenue Code of 1986, as amended.

I. “Existing Mortgage Loan” shall mean a loan secured by a Mortgage or Deed of Trust made by a Mortgage Lender to: (i) a Person of Low or Moderate Income to finance the purchase of an owner-occupied single family residence in the state; or (ii) to a person or entity to finance multiple-family, transitional and congregate dwelling projects for persons and families of low or moderate income, which loan was made prior to the date of submission by the Mortgage Lender of its Application.

J. “Federal Government” shall mean the United States of America and any agency or instrumentality, corporate or otherwise, of the United States of America.

K. “FHA” shall mean the Federal Housing Administration or its successors.

L. “FHLMC” or “Freddie Mac” shall mean the Federal Home Loan Mortgage Corporation or its successors.

M. “FNMA” or “Fannie Mae” shall mean the Federal National Mortgage Association or its successors.

N. “GNMA” or “Ginnie Mae” shall mean the Government National Mortgage Association or its successors.

O. “Home Improvement Loan” shall mean a mortgage loan to finance such alterations, repairs, and improvements on or in connection with an existing residence as MFA may determine will substantially protect or improve the basic livability or energy efficiency of the residence, including without limitation the acquisition and installation of energy conservation building materials and solar energy equipment.

P. “HUD” shall mean the United States Department of Housing and Urban Development.

Q. “MFA” shall mean the New Mexico Mortgage Finance Authority.

R. “Manufactured Home” shall mean a dwelling of at least 400 square feet and at least 12 feet wide, and constructed to “HUD Code” which for manufactured housing means that it is built on a permanent chassis, installed on a permanent foundation system and titled as real estate.

S. “Mobile Home” shall mean a movable or portable housing structure, constructed to be towed on its own chassis and designed so as to be installed with or without a permanent foundation for human occupancy as a residence that may include one or more components that can be retracted for towing purposes and subsequently expanded for additional capacity, or two or more units separately towable but designed to be joined into one integral unit, except that the definition does not include recreational vehicles or modular or remanufactured homes, built to Uniform Building Code standards, designed to be permanently affixed to real property.

T. “Modular Home” shall mean a site-built home built on a non-removeable steel chassis and built in accordance with the Uniform Building Codes that are adopted and administered by the state in which the home is installed. The home must also conform to local building codes in the area in which it will be located but does not meet “HUD Code”.

U. “Mortgage” shall mean a mortgage, mortgage deed, deed of trust or other instrument creating a lien, subject only to title exceptions as may be acceptable to MFA with a fee interest in real property located within the state, or with a leasehold interest that has a remaining term at the time of computation that exceeds the maturity date or is renewable at the option of the lessee after the maturity date, of the Mortgage Loan or the instrument creating a lien on a mobile home.

V. “Mortgage Credit Certificate” shall mean certificates issued by MFA to Persons of Low or Moderate Income enabling them to claim a credit against federal income tax for a portion of interest paid by such persons on a Mortgage Loan.

W. “Mortgage Lender” shall mean any bank, trust company, mortgage company, mortgage banker, national banking association, credit union, building and loan association and any other lending institution; *provided that the mortgage lender maintains an office in New Mexico, is authorized to make mortgage loans in the state and is approved by MFA and either the FHA, VA, RHS, HUD’s Office of Native American Programs, FNMA (“Fannie Mae”), or FHLMC (“Freddie Mac”).*<sup>1</sup>

X. “Mortgage Loan” shall mean a financial obligation secured by a Mortgage, including a Project Mortgage Loan.

Y. “Municipality” shall mean any county, city, town or village or the state.

Z. “New Mortgage Loan” shall mean a Mortgage Loan, including a Home Improvement Loan, made by a Mortgage Lender to a Person of Low or Moderate Income to finance project costs, and containing such terms and conditions as MFA may require.

AA. “Oversight Committee” shall mean MFA’s Oversight Committee created by, and appointed in accordance with, the Act.

BB. “Persons of Very Low, Low or Moderate Income” shall mean the categories of income levels attributed to persons and families for the determination of eligibility for MFA’s programs. Very Low, Low or Moderate Income persons and families within the state are those who are determined by MFA to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of quality affordable residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by MFA to be in need of the assistance made available by the Act, taking into consideration, without limitation, such factors as defined under the Act. For purposes of this definition, the word “families” shall mean a group of persons consisting of, but not limited to, the head of a household; his or her spouse, if any; and children, if any, who are allowable as personal exemptions for Federal income tax purposes. Very Low Income persons or families are those with income at or below 50% of the Area Median Income (“AMI”). For Loans to persons and families on Indian Reservations, MFA will use the income basis determined under HUD’s Native American Housing and Self Determination Act (NAHASDA). Low Income persons or families are those with income above 50% and up to 80% of the AMI. Moderate Income persons or families are those with income above 80% and up to 1520% of the AMI adjusted for family size. Moderate income limits may be adjusted for high-cost areas to accommodate qualification of purchase of a median priced home in a county of the subject property or rent at the fair market rate. state, or up to 140% AMI, on a program by program basis, as determined by MFA. This definition of moderate income applies to all non-federal, unrestricted programs administered by MFA. All federal and restricted programs will continue to follow the income requirements outlined in statute, regulations, guidance or contractual documents. This definition in line with the needs throughout the State and in accordance with the requirements of the Act. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes.

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<sup>1</sup> Definition of “Mortgage Lender” was amended (as italicized) per 1999 legislative action and was subsequently approved by the MFA Board of Directors and MFA Legislative Oversight Committee.

CC. “Policies and Procedures” shall mean Policies and Procedures of MFA, including but not limited to, Mortgage Loan purchasing, selling, servicing and reservation procedures, which MFA may update and revise from time to time as MFA deems appropriate.

DD. “Recertification” shall mean the recertification of Applicants participating in MFA programs as determined necessary from time to time by MFA.

EE. “Rehabilitation” shall mean the substantial renovation or reconstruction of an existing single-family residence, not including an increase in living area, which complies with requirements established by MFA. Rehabilitation shall not include routine or ordinary repairs, improvements, or maintenance, such as interior decorating, remodeling, or exterior painting, except in conjunction with other substantial renovation or reconstruction.

FF. “Reservation and Compliance Procedures” shall mean MFA’s procedures for allocating funds to purchase Mortgage Loans, and allocating Mortgage Credit Certificates, if applicable. Such procedures may be updated and revised by MFA as MFA deems appropriate.

GG. “Residential Housing” shall mean a specific work or improvement undertaken primarily to provide one or more dwelling accommodations, including, without limitation, mobile homes, single-family, multiple-family, transitional and congregate dwellings for Persons of Low or Moderate Income, including the acquisition, construction or rehabilitation of real property, buildings, and improvements

HH. “Residential Use” shall mean that the structure is designed primarily for use as the principal residence of the occupant or occupants and shall exclude vacation or recreational homes.

II. “RHS/USDA” shall mean Rural Housing Service of the United States Department of Agriculture and Rural Housing Community Development Service (RHCDS) and its successors.

JJ. “State” shall mean the State of New Mexico.

KK. “VA” shall mean the Department of Veterans Affairs.

**SECTION 4. GENERAL REQUIREMENTS.** The following requirements shall apply to all programs established by MFA.

4.1 Fees and Charges of MFA. MFA may establish and collect fees from Applicants who file Applications: (i) requesting allocations of funds for Mortgage Loans; or (ii) selling or offering to sell Mortgage Loans to MFA in such amounts as MFA may deem appropriate. Such fees may be used for, among other purposes: (i) reimbursing MFA for all or part of its reasonably expected costs of issuing its bonds or other obligations and of administering its programs; and (ii) providing inducements to make or deliver Mortgage Loans or other financing for public purposes which MFA determines require additional inducements to accomplish. MFA may establish such other charges, premiums, and penalties as it shall deem to be necessary in connection with the administration of its programs.

4.2 Servicing of Mortgage Loans. MFA shall cause each Mortgage Loan financed by MFA to be serviced pursuant to the Policies and Procedures of MFA.

4.3 Examination of Books and Records. MFA shall cause to be made such examinations of the books and records of each Applicant as MFA deems necessary or appropriate to determine compliance with the terms of the Act, these Rules and Regulations and any agreement between the Applicant and MFA. MFA may require each Applicant to pay the costs of any such examination.

4.4 Consent to Jurisdiction. Each Applicant shall consent to the jurisdiction of the courts of the State, or the appropriate tribal court, over any proceeding to enforce compliance with the terms of the Act, these Rules and Regulations and any agreement between the Applicant and MFA.

4.5 Purchase of MFA's Bonds. No Mortgage Lender (including any "related person," as defined in Section 103 of the Code, and the regulations related thereto) shall, pursuant to any arrangement, formal or informal, or direct or indirect, purchase Bonds or other obligations of MFA in an amount related to the aggregate principal amount of the Mortgage Loans to be sold to MFA by such Mortgage Lender (or related person).

4.6 Policies and Procedures. MFA shall adopt written Policies and Procedures for each of its programs and for the general conduct of its business. MFA's Policies and Procedures Manual shall become effective upon approval by the Board of Directors of MFA; and shall be established in accordance with the Act, the Code, these Rules and Regulations, and if applicable, the requirements of the guarantor, insurer, or purchaser with respect to the particular program. All Policies and Procedures and these Rules and Regulations shall be maintained at the offices of MFA and be available for review by all Applicants and the general public during normal business hours.

4.7 Recertification. MFA may establish procedures for recertifying Applicants from time to time. Applicants which fail to satisfy MFA's requirements for recertification shall cease to be eligible and shall be denied further participation in MFA programs until the requirements of MFA are satisfied.

**SECTION 5. SINGLE FAMILY HOMEOWNERSHIP PROGRAMS.** In addition to the programs defined in this Section 5, MFA shall have the power to create variations or extensions of such programs, or additional programs which comply with the Act and these Rules and Regulations.

5.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 5.

A. "Single Family Homeownership Programs" shall mean MFA's single family mortgage programs in which funds are available to finance Mortgage Loans through the sale of Bonds or other obligations, or from the proceeds of a secondary market facility, or from MFA's general fund, or through the issuance of mortgage credit certificates allocated to Applicants on an aggregate or loan-by-loan basis pursuant to the Act and these Rules and Regulations set forth

in this Section 5, and shall include: (i) MFA's program pursuant to which MFA shall issue Mortgage Credit Certificates to Persons of Low or Moderate Income; (ii) the financing of Home Improvement Loans; and (iii) the purchase and sale of Mortgage Loans.

B. FOR PURPOSES OF THE MAKING OF LOANS TO MORTGAGE LENDERS, THE PURCHASE OF MORTGAGE LOANS AND HOME IMPROVEMENT LOANS, "Residential Housing" shall mean an owner-occupied, single family residence located in the State, which the mortgagor(s) intend(s) to occupy as his or her (their) principal residence within sixty (60) days after: (1) the date of the closing of the purchase of the residence, or (2) in the case of a Rehabilitation loan where the Rehabilitation is to be accomplished by the mortgagor, the date of completion of the Rehabilitation. For purposes of this definition, with regard to those properties and projects funded by tax exempt bonds, a single family residence:

(a) shall not include:

(i) a residence intended for occupancy by more than one family as its owner-occupied residence;

(ii) a residence where more than 15% of the total area of which is reasonably expected to be used primarily in a trade or business, which is used as a vacation or recreational home, or with respect to which all or any portion of the land acquired with the proceeds of the related Mortgage Loan is used in a trade or business.

(b) shall meet such other requirements as MFA may from time to time determine to be necessary or appropriate to properly administer the Single Family Homeownership Program.

## 5.2 Allocation of Funds for Financing.

A. Notice of Funds Availability (NOFA). When tax exempt bond proceeds are available or expected to be available, MFA will issue a Notice of Funds Availability. The notice shall be an invitation to submit a request for reservation of funds to MFA.

B. Allocation of Funds by MFA. Funds may be allocated by MFA either on an aggregate or on a loan-by-loan basis in accordance with MFA's Reservation and Compliance Procedures. Allocations of funds for mortgages and/or Home Improvement Loans financed by MFA shall be conclusive. In making such allocations, MFA may consider, among other things, as appropriate:

1. In the case of programs, the funds of which are allocated on a loan-by-loan basis, the order of receipt of a request for reservation of funds, so as to generally allocate funds on a first-come, first-served basis;

2. The ability of the Applicant to deliver individual Mortgage Loans or Home Improvement Loans or otherwise utilize the funds for the purpose stated in the notice within the time limits of the program;

3. In the case of programs for the purchase of Existing Mortgage Loans, the terms and conditions of the Mortgage Loans offered for sale by the Applicant.

C. Allocation of Mortgage Credit Certificates. Mortgage Credit Certificates shall be allocated on a loan-by-loan basis in accordance with the Policies and Procedures established by MFA.

### 5.3 Applications.

A. Process for Applying. MFA shall maintain an application policy for Applicants wishing to apply for MFA approval to participate in the Single Family Homeownership Program. Applications will be provided with all documents required to be executed and submitted in connection therewith upon request. An Application to sell Mortgage Loans or Home Improvement Loans to MFA shall contain, among other things, the unconditional agreement of the Applicant, upon acceptance of the Application by MFA, to sell Mortgage Loans or Home Improvement Loans to MFA or its designee which comply with the terms of an agreement to be signed by the Applicant and MFA.

B. Review by MFA. On receipt of an Application, MFA shall review and analyze the Applicant's ability to sell Mortgage Loans or Home Improvement Loans to MFA or its designee and to service such Mortgage Loans or Home Improvement Loans, or cause them to be serviced.

C. Notification of Acceptance. MFA, by written notice shall notify each Applicant which has submitted an Application of the approval or disapproval of its Application. Upon approval of its Application, a Mortgage Lender or other Applicant shall be considered approved by MFA to participate in the Single Family Homeownership Program. MFA's approval or disapproval of any Application shall be conclusive.

5.4 Acceptance. MFA shall establish Policies and Procedures for the purchase of Mortgage Loans and Home Improvement Loans as set forth in paragraph 4.6 of these Rules and Regulations. Each allocation of funds shall be conditioned upon the receipt by MFA from the Applicant of a commitment fee, if any, and the documents required by MFA within the time specified in the acceptance. In all cases MFA may deny requests and may reallocate funds in accordance with MFA's Reservation and Compliance Procedures. The allocation and reallocation of funds by MFA for the financing of Mortgage Loans and Home Improvement Loans shall be conclusive.

5.5 Financing of Mortgage Loans and Home Improvement Loans. The financing of Mortgage Loans and Home Improvement Loans by MFA shall be in accordance with the Policies and Procedures established by MFA. Each Mortgage Loan and Home Improvement Loan financed must: (i) be the subject of an allocation of funds; (ii) be the subject of a written agreement executed by MFA and the Applicant; (iii) comply with the terms and conditions of such agreement; (iv) be serviced in compliance with the servicing requirements of such agreement; and (v) otherwise

comply with MFA's requirements for the financing and servicing of Mortgage Loans and Home Improvement Loans under the Single Family Homeownership Program.

5.6 Yield on Mortgage Loans and Home Improvement Loans. Mortgage Loans and Home Improvement Loans under the Single Family Homeownership Program shall bear interest at such a rate or rates as in the aggregate shall produce a yield to MFA on such Mortgage Loans and Home Improvement Loans sufficient to (i) pay interest on any related issue of MFA's bonds or other obligations; (ii) provide adequate reserves, if any, for the holder of any of MFA's bonds or other obligations; and (iii) cover the operating costs of MFA.

5.7 Conditions of Mortgage Loans and Home Improvement Loans.

A. Mortgage Loans and Home Improvement Loans financed by MFA under the Single Family Homeownership Program shall: (i) comply with the applicable terms and conditions prescribed by MFA in a written agreement between MFA and the Applicant for such Mortgage Loan or Home Improvement Loan; and (ii) comply with the Policies and Procedures of MFA.

B. Each loan commitment to make a Mortgage Loan or Home Improvement Loan must be made to a Person of Low or Moderate Income unless other Board approved program limits are in place. Mortgage Loans and Home Improvement Loans shall be financed by MFA within such time periods as are specified by MFA.

5.8 Restrictions on Return Realized by Mortgage Lenders. MFA shall establish and set forth the maximum rate or rates of return which may be realized by Mortgage Lenders from Mortgage Loans or Home Improvement Loans, including any commitment fees, premiums, bonuses, points, or other fees charged by the Mortgage Lender in connection with the making of such Mortgage Loans or Home Improvement Loans. Such maximum rates of return shall be set in such amounts as MFA finds to be reasonably necessary to induce participation in the Single Family Homeownership Program by Applicants in order to accomplish the purposes of the Act.

5.9 Mobile Homes. The eligibility of mobile homes for use as security for Mortgage Loans shall be determined in accordance with standards established by MFA.

**SECTION 6 MULTIPLE FAMILY DWELLING, TRANSITIONAL, AND CONGREGATE PROJECT MORTGAGE LOANS.** In addition to the Multifamily Housing Programs as defined in this Section 6, MFA shall have the power to create variations or extensions of the programs, or additional programs which comply with the Act and these Rules and Regulations.

6.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 6.

A. "Congregate Housing Facility" shall mean residential housing designed for occupancy by more than four Persons of Low or Moderate Income living independently of each other. The facility may contain group dining, recreational, health care or other communal facilities



and each unit in a congregate housing facility shall contain at least its own living, sleeping, and bathing facilities.

B. “Lender Loan” shall mean a loan made by MFA to a Mortgage Lender, pursuant to the Act and these Rules and Regulations, the proceeds of which are used directly or indirectly to make Project Mortgage Loans.

C. “Multiple family Dwelling Project” shall mean the residential housing that is designed for occupancy by more than four persons or families living independently of each other or living in a congregate housing facility, at least sixty percent of whom are Persons of Low or Moderate Income, including without limitation Persons of Low or Moderate Income who are elderly and handicapped as determined by MFA, provided that the percentage of low-income persons and families shall be at least the minimum, if any, required by federal tax law or other federal or state funding regulations.

D. “Multifamily Housing Program” shall mean a program involving a Congregate Housing Facility, a Multifamily Dwelling Project or a Transitional Housing Facility.

E. “Project” shall mean any work or undertaking, whether new construction, acquisition of existing residential housing, remodeling, improvement, rehabilitation, or conversion approved by MFA for the primary purpose of providing sanitary, decent, safe, and affordable residential housing within the State for one or more Persons of Low or Moderate Income.

F. “Project Mortgage Loan” shall mean a Mortgage Loan made to Sponsor to finance project costs of a Multifamily Housing Project

G. “Sponsor” shall mean an individual, association, corporation, public or tribal entity, joint venture, partnership, limited partnership, trust or any combination thereof which has been approved by MFA as qualified to own and maintain a multiple-family dwelling, transitional or congregate housing project, maintains its principal office or a branch office in New Mexico and has agreed to subject itself to the regulatory power of MFA and the jurisdiction of the courts of the State, including Tribal courts having jurisdiction of projects located on Native American Trust Lands located in New Mexico.

H. “Transitional Housing Facility” shall mean residential housing that is designed for temporary or transitional occupancy by Persons of Low or Moderate Income or special needs.

## 6.2 Application Procedures.

A. Offers to Sell Project Mortgage Loans. Application procedures for offers to sell Project Mortgage Loans shall be set forth in the Policies and Procedures established by MFA in accordance with paragraph 4.6 of these Rules and Regulations. The Application shall contain such information as required by the Act and MFA for determining whether MFA shall finance the Mortgage Loans.

B. Loans to Lenders Program. A Sponsor requesting a Lender Loan from MFA must first submit an Application to MFA, in the form prescribed by MFA. Formal Application procedures for loans to lenders shall be set forth, in writing, in the Policies and Procedures established by MFA in accordance with paragraph 4.6 of these Rules and Regulations.

C. Other Programs Established by MFA. MFA shall, from time to time, establish Application procedures for programs. The Application procedures shall be published in Policies and Procedures established by MFA in accordance with paragraph 4.6 of these Rules and Regulations for various programs. The Application procedures shall take into consideration:

1. timely completion and submission to MFA of a program Application;
2. timely submission of all other information and documentation related to the program required by MFA, as set forth in MFA's Policies and Procedures;
3. timely payment of any fees required to be paid to MFA at the time of submission of the Application; and
4. compliance with program eligibility requirements as set forth in MFA's Policies and Procedures.

### 6.3 Standards for Approving Qualification of Applicants.

A. Sponsors. MFA shall, from time to time, establish standards for approving qualifications of Sponsors, which standards shall be published in Policies and Procedures established for the particular program. These standards shall take into consideration the following factors:

1. MFA shall require each Sponsor, at the time of such Sponsor's request for MFA approval, to submit a verified certificate stating that, among other things:

- (a) for every Multifamily Housing Program, including every assisted or insured project of HUD, RHS/USDA, FHA and any other state or local government housing finance agency in which such Sponsor has been or is a principal;

- (b) except as shown on such certificate:

- (i) no mortgage on a project listed on such certificate has ever been in default, assigned to the United States government or foreclosed, nor has any mortgage relief by the mortgagee been given;

- (ii) there has not been a suspension or termination of payments under any HUD assistance contract in which the Sponsor has had a legal or beneficial interest;

- (iii) such Sponsor has not been suspended, debarred, or otherwise restricted by any department or agency of the federal government or any state

government from doing business with such department or agency because of misconduct or alleged misconduct; and

(iv) the Sponsor has not defaulted on an obligation covered by a surety or performance bond.

If such Sponsor cannot certify to each of the above, such Sponsor shall submit a signed statement to explain the facts and circumstances which such Sponsor believes will explain the lack of certification. MFA may then, in its sole and absolute discretion, determine if such Sponsor is or is not qualified.

2. The experience of the Sponsor in developing, financing, and managing Multifamily Residential Housing.

3. Whether the Sponsor has been found by the United States Equal Employment Opportunity Commission or the New Mexico Human Rights Commission to be in noncompliance with any applicable civil rights laws.

B. Mortgage Lenders. In approving Mortgage Lenders, MFA shall consider, among other things:

1. The financial condition of the Mortgage Lender;
2. The terms and conditions of the Lender Loans to be made;
3. The aggregate principal balances of Lender Loans to be made to each Mortgage Lender compared with the aggregate principal balances of the Lender Loans to be made to all other Mortgage Lenders;
4. MFA's assessment of the ability of the Mortgage Lender or its designated servicer to act as originator and servicer of Mortgage Loans for the Multifamily Housing Programs to be financed; and
5. Previous participation by the Mortgage Lender in MFA's programs and HUD, FHA, or RHS/USDA programs.

C. Other Applicants. MFA shall, from time to time, establish standards for approving the qualifications of other Applicants seeking MFA assistance, which standards shall be published in Policies and Procedures established for the particular program.

6.4 Notice of Acceptance. MFA shall, in writing, notify each Applicant, which has submitted an Application as to the aggregate principal balance of the loan, if any, MFA shall agree to make, subject to the conditions set forth in the Application. The aggregate principal balance of loans, which MFA agrees to make to any Applicant, may be in an amount less than that requested.

6.5 Standards for Determining Minimum Equity Requirements, Acceptable Debt-to-Equity Ratios, and Acceptable Loan-to-Value Ratios.

A. Generally. MFA shall, from time to time, establish standards for (i) minimum equity requirements and acceptable debt-to-equity ratios; and (ii) acceptable loan-to-value ratios for each project under a particular program, which standards shall be in accordance with generally accepted standards in the lending industry and shall be published in Policies and Procedures established for the particular program.

B. Sponsors. With respect to establishing such standards for Sponsors, MFA shall require that the maximum mortgage amount not exceed the estimate of the replacement cost of the Multifamily Housing Project when the proposed improvements are completed and required reserves are funded. The replacement cost may include land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction and other miscellaneous charges incident to construction and approved by MFA, including an allowance for Builder's and Sponsor's profit and risk.

6.6 Uniform Accounting System. The accounting system used by Sponsors shall be based upon generally accepted accounting standards for the industry. Additional requirements may be dictated by the state or federal funding source, which in such cases will be included in the Sponsor's contract or loan documents.

6.7 Costs of the Project.

A. Submission of Cost Certificate. Upon completion of any Multifamily Housing Project, MFA shall require the Sponsor to submit a cost certificate detailing the specific items of the project if required by the regulations of the funding source. MFA will require the Sponsor to document all costs funded by MFA.

B. Cost Approvals. MFA shall, from time to time, develop standards for approving Project costs for Projects to be financed through an MFA program. These standards shall be set forth in Policies and Procedures established for the particular program and shall include such factors as:

1. the cost of the land upon which the project is to be built;
2. the architect's and other professionals' fees;
3. organizational and legal expenses;
4. the number of square feet to be built together with the cost per square foot to build;
5. the amount of Builder's and Sponsor's overhead to be allocated to the project;

6. the amount of Builder's and Sponsor's profit;
7. taxes and insurance, including title insurance and recording fees; and
8. the Sponsor's relationship, if any, with the Builder or general contractor for the project, including any collateral agreements.

MFA shall take into account the guarantor's, insurer's, or purchaser's approved cost limits in effect at the time in evaluating the reasonableness of and approving the project costs for each project. These standards shall also take into consideration the requirements of the Act, the Code, and the requirements of any applicable federal government program.

6.8 Geographic Allocation and Other Site Considerations. MFA shall make all reasonable efforts to provide loan assistance under various Multifamily Housing Programs on a statewide basis. In providing for reasonable geographic allocation for all MFA Multifamily Housing Programs, MFA may consider with respect to a project, among other things:

- A. the nature of the proposed neighborhood;
- B. whether there is a need in the area for decent, safe and sanitary housing for Persons of Low and Moderate Income;
- C. the number of similar multifamily housing projects, if any, located in the particular area and the type, location, number of units and size of such projects;
- D. the occupancy history of similar multifamily housing projects in the area;
- E. the need for new housing in the area to attract a new industry or plant;
- F. the availability of adequate utilities (water, sewer, gas and electricity) and streets to service the project;
- G. the availability of, and accessibility to, social, recreational, educational, commercial and health facilities and services, which should at least be equivalent to those found in neighborhoods consisting largely of unassisted, standard housing of similar market rents; and
- H. whether the project site is free from adverse environmental conditions, natural or man-made, such as instability, flooding, sewage hazards, harmful air pollution, smoke or dust, excessive vehicular traffic, and fire hazards.

In addition, MFA shall give great weight in making its determination with respect to geographic allocation to whether the project will promote a greater choice of housing opportunities in the area and will avoid an undue concentration of assisted persons in areas containing a high proportion of Persons of Low and Moderate Income. MFA may rely on such guarantor's, insurer's or purchaser's approval as evidence that the above criteria have been met.

6.9 Discrimination Prohibited. The development, construction, occupancy, and operation of a Multifamily Housing Program financed or assisted by MFA shall be undertaken in a manner consistent with principles of non-discrimination and equal opportunity, and MFA shall require compliance with all applicable federal and State laws and regulations relating to affirmative action, non-discrimination, and equal opportunity.

**SECTION 7. HOUSING OPPORTUNITY FUND (“HOF”).** In addition to the following programs defined in this Section 7, MFA shall have the power to create certain variations or extensions of the programs, or additional programs which comply with the Act and these Rules and Regulations.

7.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 7.

A. “Down Payment Assistance Programs” shall mean MFA’s programs that provide down payment and closing cost assistance in the form of a second mortgage lien to Persons of Low and Moderate Income who are, with few exceptions, using MFA’s Single Family Homeownership Program (as defined in Section 5, above) to acquire single family homes.

B. “Partners Program” shall mean MFA’s program designed to serve as a secondary market for below-market-rate single family mortgages which have been originated by nonprofit organizations to provide financing for families earning no more than 60% of county or median income as published by the US Department of Housing and Urban Development at the time of initial family qualification by participants and MFA.

C. “Primero Investment Fund” shall mean MFA’s program designed to provide flexible financing to nonprofit organizations, Tribal and public agencies, as well as for-profit entities undertaking the development of Affordable owner-occupied, rental, or special needs housing projects.

D. “ACCESS Loan Program” shall mean MFA’s program designed to provide guaranteed or insured construction and permanent financing for affordable rental developments.

E. “BUILD IT Loan Guaranty Program” shall mean MFA’s program designed to guaranty interim financing provide by other lenders for affordable housing developments.

F. “HERO” shall mean MFA’s program designed to provide a first fixed-rate mortgage loan, including down payment, and closing cost assistance in the amount of a 3.5% grant to be funded to the borrower at the time of loan closing, to households in which at least one member is a teacher, safety worker, health care worker or active member of the armed forces.

7.2 Funding.

A. Initial Funding. The HOF shall be initially funded with net residual assets of MFA’s issue of Home Improvement Loan Revenue Bonds, 1985 Series A and financing

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adjustment factor (FAF) savings derived from MFA's Multifamily Housing Refunding Revenue Bonds 1990 Series A.

B. Additional Sources. Additional sources of funding may include, but are not limited to:

1. gifts, loans and grants received from the federal government, private foundations, corporate and private individuals and other sources;

2. money and other assets specifically allocated by MFA to the HOF from time to time; and

3. earnings of the HOF.

7.3 Use of Funds. Monies and other assets of the HOF shall be disbursed to Applicants in accordance with the purposes of the HOF and Policies and Procedures developed and established by MFA for the HOF as follows:

A. to provide down payment assistance for the financing of housing by Persons of Low and Moderate Income;

B. to provide closing cost assistance for the financing of housing by Persons of Low and Moderate Income;

C. to pay fees for services utilized in connection with HOF programs;

D. to pay costs of acquisition, rehabilitation and/or construction of Affordable housing projects, as well as costs associated with single family mortgages; and

E. in such other manner as MFA may determine from time to time.

7.4 Administration. MFA shall administer the affairs of the HOF in accordance with provisions of the Act, these Rules and Regulations, any applicable state and federal laws and regulations, each of which may be amended or supplemented from time to time. MFA, in establishing, funding and administering the affairs of the HOF and by making, executing, delivering and performing any award, contract, grant or any other activity or transaction contemplated by the HOF, shall not violate any provision of law, rule or regulation or any decree, writ, order, injunction, judgment, determination or award and will not contravene the provisions of or otherwise cause a default under any of its agreements, indentures, or other instruments to which it may be bound.

7.5 Program Guidelines. MFA shall, from time to time, develop and adopt Policies and Procedures for each program of the HOF, which shall set forth the specific Application and approval procedures.

**SECTION 8. SECONDARY MARKET FACILITY.** In addition to the following programs defined in this Section 8, MFA shall have the power to create certain variations or extensions of the programs, or additional programs which comply with the Act and these Rules and Regulations.

8.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 8.

- A. “Pass-Through Securities” shall mean securities representing undivided ownership interests in a pool of mortgage loans; and
- B. Secondary Market Facility” shall mean a corporation, trust, or other form of legal entity established by the authority for the purpose of the purchase, with private or public funds legally available therefor, of mortgage loans, mortgage-based obligations, pass-through securities or interests therein.

8.2 Establishment of Secondary Market Facility. MFA may establish and implement a secondary market facility for Mortgage Loans and to otherwise act as a conduit for public and private funds to provide an increased degree of liquidity for mortgage investments. In establishing a secondary market facility, MFA may issue pass-through securities and may purchase and contract to purchase Mortgage Loans, pass-through securities, obligations secured by Mortgage Loans or revenues therefrom or interests therein. MFA shall establish Policies and Procedures, in accordance with paragraph 4.6 of these Rules and Regulations, which Policies and Procedures shall provide for the governing of the operations of the secondary market facility, the issuance of pass-through securities and for the purchase or issuance by, or the sale of, such obligations to the secondary market facility. The Policies and Procedures shall include, among other things: (i) the submission by Mortgage Lenders of offers to sell Mortgage Loans; pass-through securities; and obligations secured by Mortgage Loans or pledges of Mortgage Loan revenues; (ii) standards for allocating available funds or guarantees among Mortgage Lenders through the secondary market facility; (iii) qualifications or conditions relating to the reinvestment by Mortgage Lenders of the funds made available to Mortgage Lenders by the secondary market facility; and (iv) characteristics of pass-through securities to be issued by the secondary market facility.

**SECTION 9. MISCELLANEOUS.** Capitalized terms not otherwise defined in these Rules and Regulations have the same meaning as defined in the Act.

**SECTION 10. AMENDMENT TO RULES AND REGULATIONS.** These Rules and Regulations may be amended or supplemented by MFA, with the approval of the Oversight Committee, at any time. Proposed amendments to these Rules and Regulations will be posted on MFA’s website for a minimum of thirty (30) days prior to approval by the Oversight Committee, to enable public comment on the proposed changes.



# Tab 6

## MFA 2023 Legislative Agenda

### New Mexico Housing Trust Fund (NMHTF)

**\$48 million**

*This appropriation could help acquire, build, rehabilitate, preserve, finance, weatherize and/or provide energy efficiency upgrades for approximately 2,500 quality affordable homes for low-income New Mexicans.*

**Background:** The New Mexico Housing Trust Fund was created by the New Mexico Legislature in 2005 with an initial appropriation of \$10 million and subsequent appropriations of \$17.05 million through 2021.

In 2022, Senate Bill 134 was enacted by the Legislature, allocating 2.5% of severance tax bonding capacity to the New Mexico Housing Trust Fund for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act. This allocation of funding will commence with the severance tax bonding capacity estimated in **2024**, with funding available beginning in July 2024.

Additionally, in 2022, \$34 million dollars was allocated to the New Mexico Housing Trust Fund (\$25 million of American Rescue Plan Act State and Local Fiscal Recovery Funds, \$9 million of Capital Outlay) for the purposes of carrying out the New Mexico Housing Trust Fund Act. This funding was allocated to (1) rental housing development to support cost overruns resulting from supply chain issues and labor cost increases, (2) to energy efficient weatherization rehabilitation for single-family and multi-family housing, (3) down payment assistance for first time homebuyers, and (4) to the Restoring our Communities program which was designed to increase single-family housing stock through the acquisition, rehabilitation and resale of homes that are vacant or abandoned.

MFA leveraged last years' funding to enhance eligible activities in conjunction with the Low-Income Energy Conservation Program, or NM Energy \$mart, which weatherizes the homes of approximately 750 low-income families each year using two federal sources, the Weatherization Assistance Program (WAP) and the Low-Income Home Energy Assistance Program (LIHEAP), in addition to utility company sources. Funding allocated to the New Mexico Housing Trust Fund is being leveraged with these Federal dollars to provide an even bigger impact by making homes ready for the Weatherization Assistance Program and covering costs for repairs that are not allowed under the Federal funding sources. This funding is providing hundreds of homeowners and renters with energy saving repairs that make homes safer, more comfortable, and more efficient for some of the lowest income New Mexicans.



The funding allocated to down payment assistance is being deployed to assist homebuyers with up to \$25,000 through the Down Payment Advantage program, which is a true gift of funds. Eligible homebuyers can also receive an additional \$10,000 in the form of an amortizing second mortgage, for a total of \$35,000 towards the purchase of a home. In a housing environment of rising interest rates and with the cost of a median priced home ever increasing, this program provides homebuyers with a real advantage for achieving homeownership.

**Results:** The New Mexico Housing Trust Fund has grown from approximately \$27 million in appropriations to over \$34 million as a result of interest earned over the years. Through a competitive application process, MFA has awarded over \$63 million, including the state's \$22 million investment, interest income and loan repayments, to 37 housing projects totaling 4,791 housing units. 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. An additional investment in the New Mexico Housing Trust Fund will be used to support these important programs that address the continuum of housing needs, from homelessness to homeownership

## Discussion Items

### Support for Linkages Program

*Last year, the state supported expanding the Linkages program which required an additional recurring \$5,910,384 compared to State's Human Services Department's current FY 2022 budget for a total Linkages FY2023 budget of \$10,720,768. MFA encourages leadership to provide the same amount of recurring funding in the FY2024 budget. MFA has been advised by Senate leadership that this would not need to be a separate bill and could be added to H.B. 2.*

**Background:** Linkages is a state-funded permanent supportive housing program designed to provide rental subsidies, utility assistance and supportive services to vulnerable populations in order to link them with community-based, individualized services. The program is collaboratively-run by MFA, which oversees the housing component, and the State's Human Services Department (HSD) – Behavioral Health Services Division (BHSD), which oversees the supportive services. Program participants must be homeless or at risk of homelessness, be extremely low-income and have a serious mental illness or co-occurring diagnosis. As part of the program, participants receive monthly rental and utility assistance, ongoing case management with monthly visits as well as voluntary behavioral health services. **Results:** The program provides safe, affordable housing for participants, wrap-around services and leverages Medicaid dollars. MFA and HSD are operating the program at nearly 100% capacity, and there is still extensive demand. Due to the great need for Linkages, support services agencies have had to start waitlists. Sadly, there are few options while applicants are on waitlists. Due to lack of



housing and support services, persons experiencing chronic homelessness cycle through expensive de facto housing solutions, including jails, prisons, emergency rooms, psychiatric hospitals and short-term shelters. Some studies estimate that on average a person experiencing chronic homelessness costs taxpayers between \$30,000 to \$50,000 per year. Housing for persons with serious behavioral health conditions that incorporates long term support can help alleviate these costs.

### **Affordable Housing Act Oversight Duties**

**\$250,000**

*This appropriation will enable MFA to 1) oversee the Affordable Housing Act, including review and approval of plans and ordinances, 2) provide direct technical assistance to local governments, and 3) offer planning and implementation grants to local governments on an as-needed basis.*

**Background:** The Affordable Housing Act was signed into law in 2004. Like the Local Economic Development Act (LEDA), it is an exemption to the state's Anti-Donation clause. It permits the state and local governments to contribute public funds, land, buildings and other resources to create and preserve affordable housing. MFA is charged with rulemaking authority and oversight of the Act but receives no funds for these purposes. **Results:** The priority and focus of this funding is to help local governments, municipalities, and jurisdictions implement approved housing plans and ordinances, paving the way for communities to increase housing stock and deploy housing solutions that meet local needs while leveraging local resources. To date, MFA has assisted 36 local governments in adopting an affordable housing ordinance and 36 local governments in creating affordable housing plans. These local governments have donated land and resources totaling more than \$73 million for affordable housing as of November 2022.

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**56TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2023**

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

MAKING AN APPROPRIATION TO THE NEW MEXICO HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Forty-eight million dollars (\$48,000,000) is appropriated from the general fund to the New Mexico housing trust fund for expenditure in fiscal year 2024 and subsequent fiscal years by the New Mexico mortgage finance authority for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

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**56TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2023**

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

MAKING AN APPROPRIATION TO FUND THE OVERSIGHT DUTIES RELATED TO  
THE AFFORDABLE HOUSING ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Two hundred fifty thousand  
dollars (\$250,000) is appropriated from the general fund to the  
department of finance and administration for expenditure by the  
New Mexico mortgage finance authority in fiscal year 2024 and  
subsequent fiscal years for the purpose of funding the  
oversight of the Affordable Housing Act. Any unexpended or  
unencumbered balance remaining at the end of a fiscal year  
shall not revert to the general fund.

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