

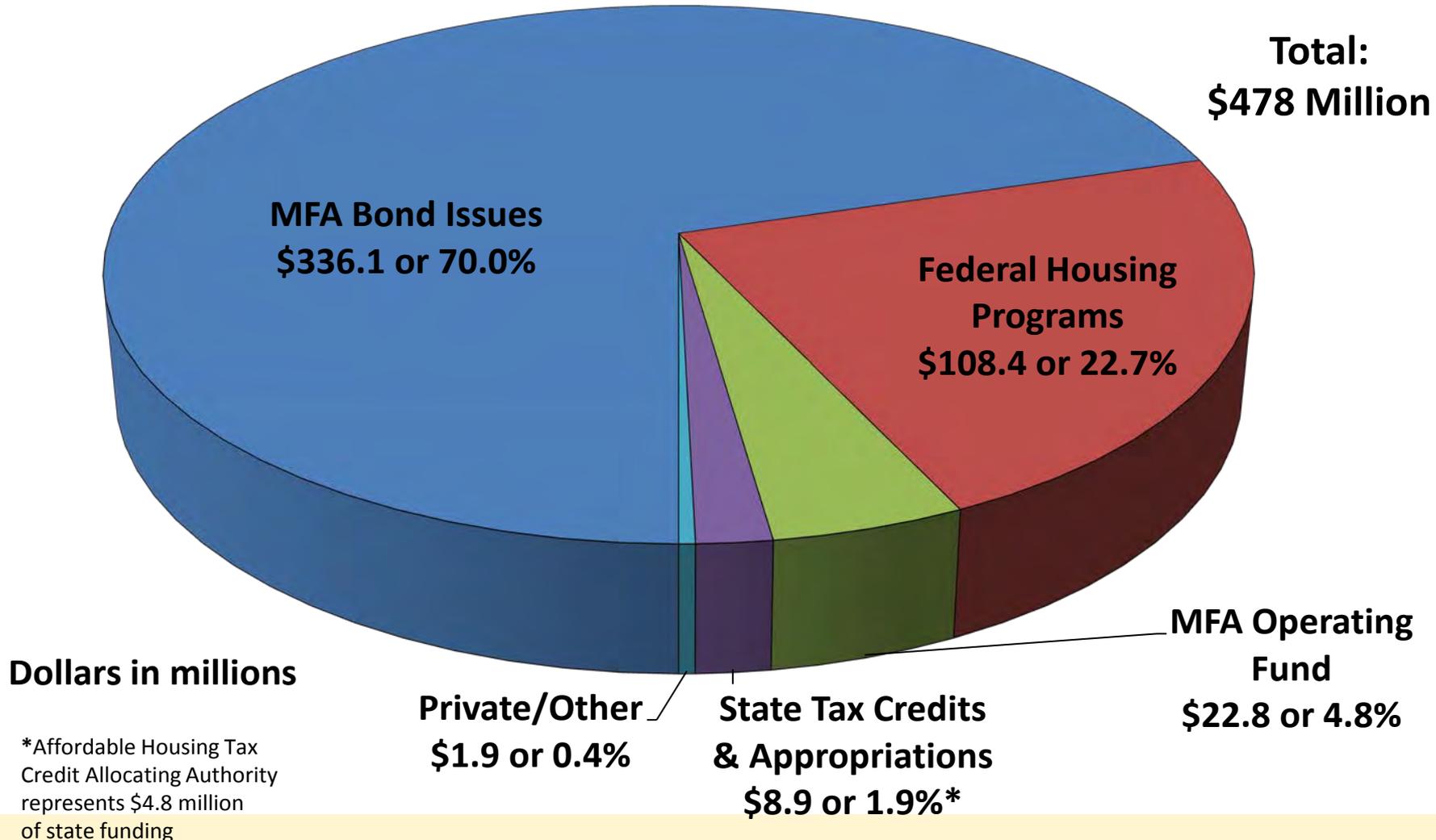


New Mexico Mortgage Finance Authority (MFA) FY2014-2015 Budget Overview

Gina Hickman, Deputy Director Finance & Administration

**Legislative Oversight Committee
October 8, 2014**

Resources Available to MFA, 2014



Production & Financial Highlights

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2006 STRONG STATE SUPPORT:

- 1st Housing Trust Fund Appropriation \$10mm *Revenue, Production/Assets Managed*

2007 SINGLE FAMILY PROGRAM RECORD PRODUCTION:

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

2008 COLLAPSE OF ECONOMY & HOUSING:

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

2009 FEDERAL STIMULUS:

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

2010 HISTORICAL LOW MORTGAGE RATES:

- High Single Family Prepayment Activity (-2013) *Assets Managed, Revenue*

2011 INNOVATION & NEW RESOURCES:

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

2012 FEDERAL BUDGET REDUCTIONS:

- High Multi-family loan payoffs *Assets Managed, Revenue*
- HUD HOME funding reductions (-2014) *Production/Assets Managed, Revenue*
- DOE Weatherization Assistance Program funding reductions (-2013) *Production/Assets Managed, Revenue*
- Increase in rental demand (-2014) *Production/Assets Managed, Revenue*

2013 INNOVATION & NEW RESOURCES :

- To Be Announced (TBA) Single Family Loan Execution (-2014) *Production, Revenue*

2014 INNOVATION & NEW RESOURCES:

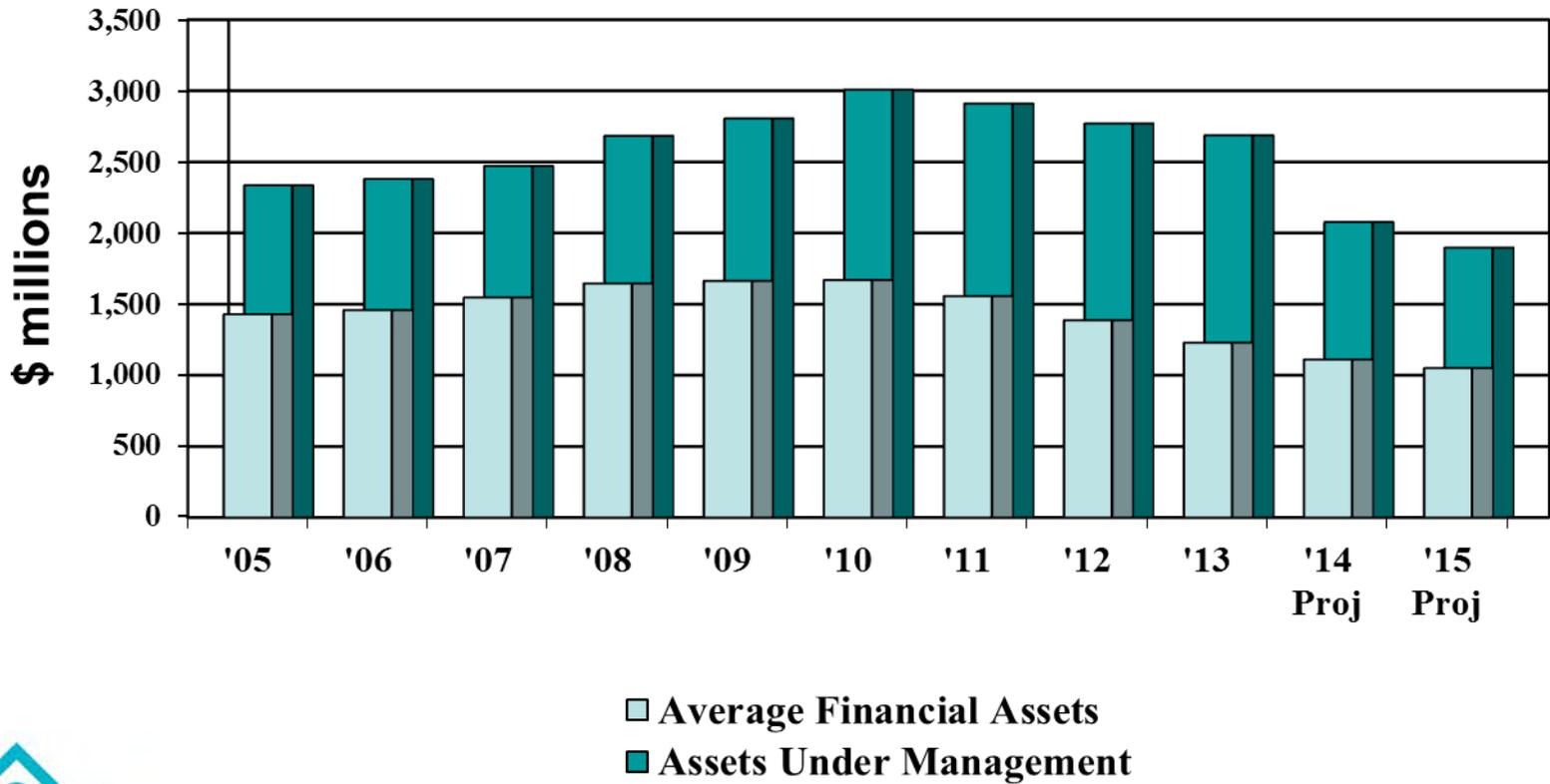
- Ventana Fund Contribution *Expense, Production (NM)*
- Small Business Investment Council loan funding for Housing Opportunity Fund *Production/Assets Managed, Revenue*

IMPACT LEGEND:

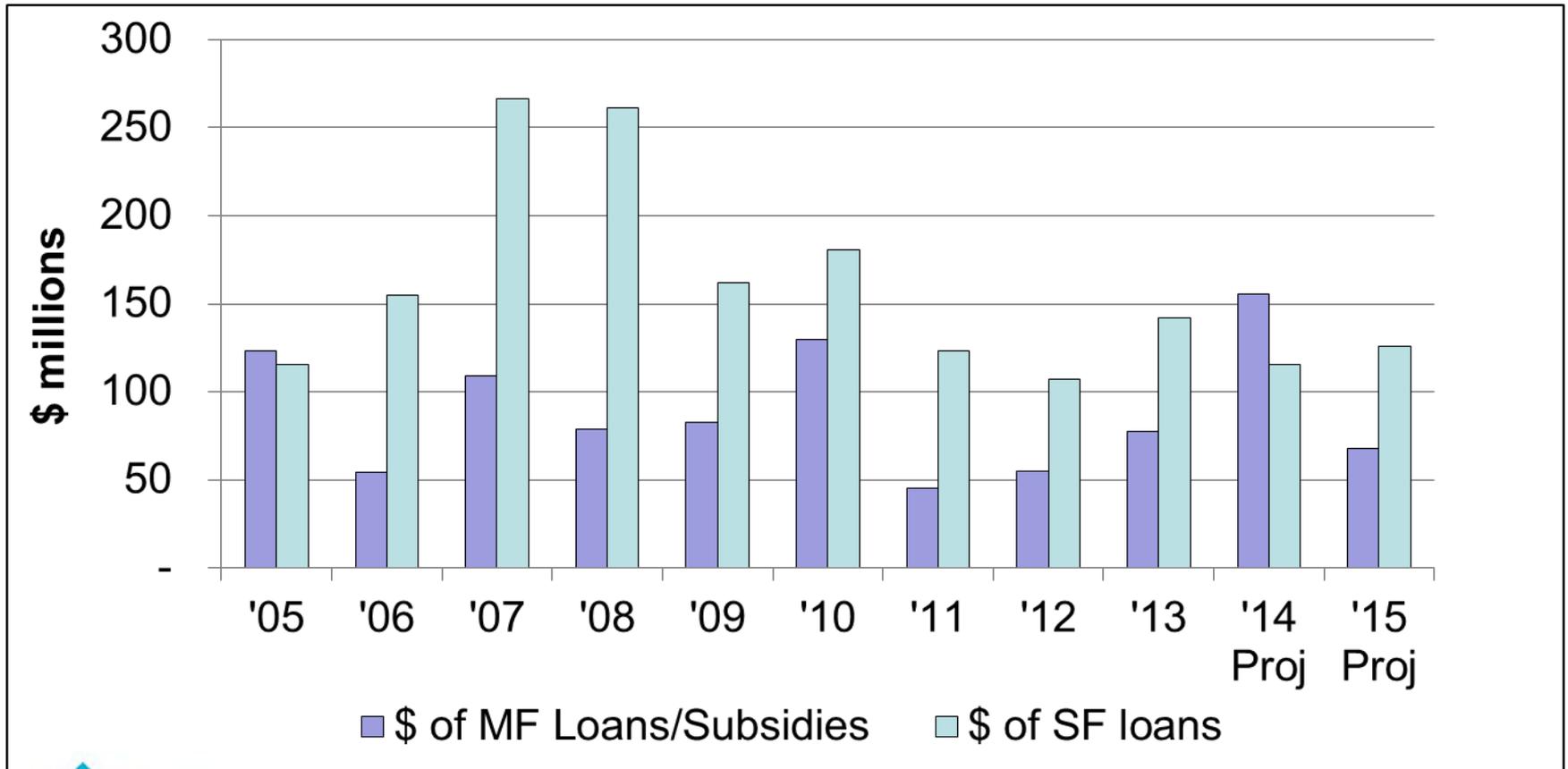
- Red : Negative Impact*
- Green: Positive Impact*



Assets Managed: Average Financial Assets vs. Average Assets Under Management FY 2005-2015

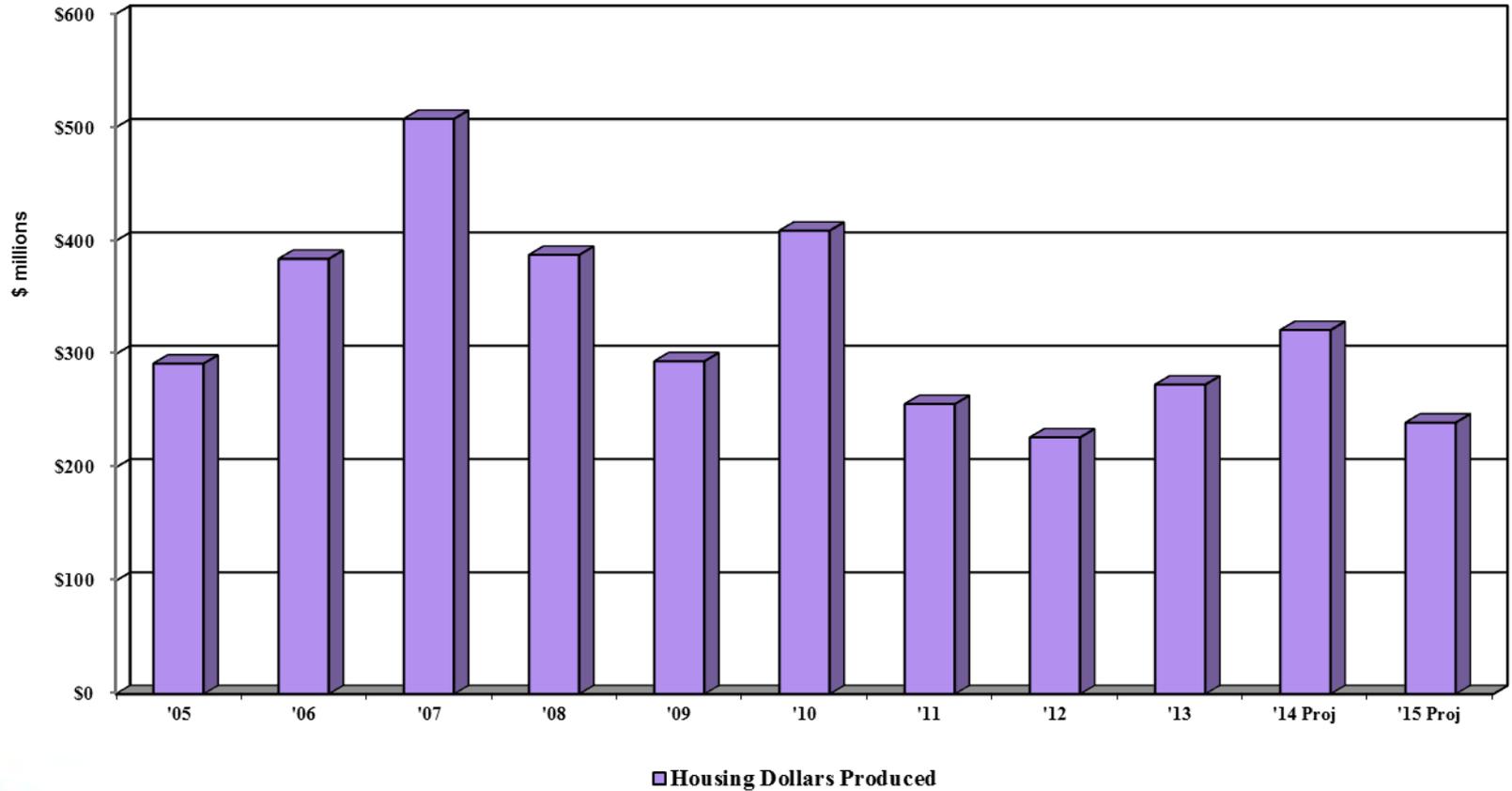


Production Data:
 Multi-Family Loans/Subsidies vs.
 Single Family 1st Mtg. Loans Purchased
 FY 2005-2015



MFA Total Housing Dollars Produced

FY 2005-2015



Relationship of MFA Financials

MFA Consolidated Financials

(Single Family, Rental, General Fund, Housing Programs, Fiduciary Trusts)

Total assets

Earning assets

Net income

Retained earnings (equity)

MFA General Fund/Housing Programs

Cash & securities

Loans

PP&E

Housing Opportunity

Fund

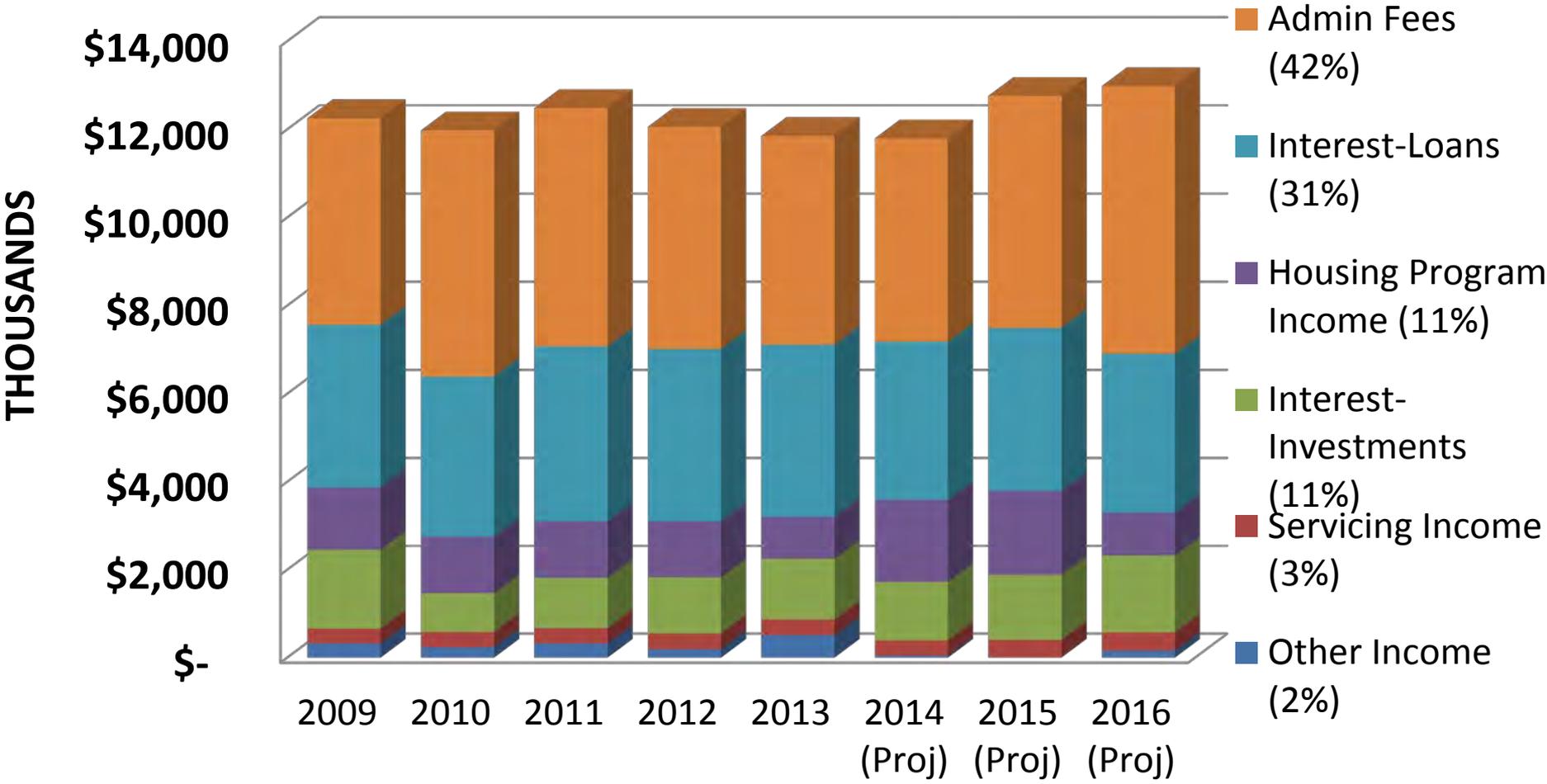
Down payment assistance

First mortgage products

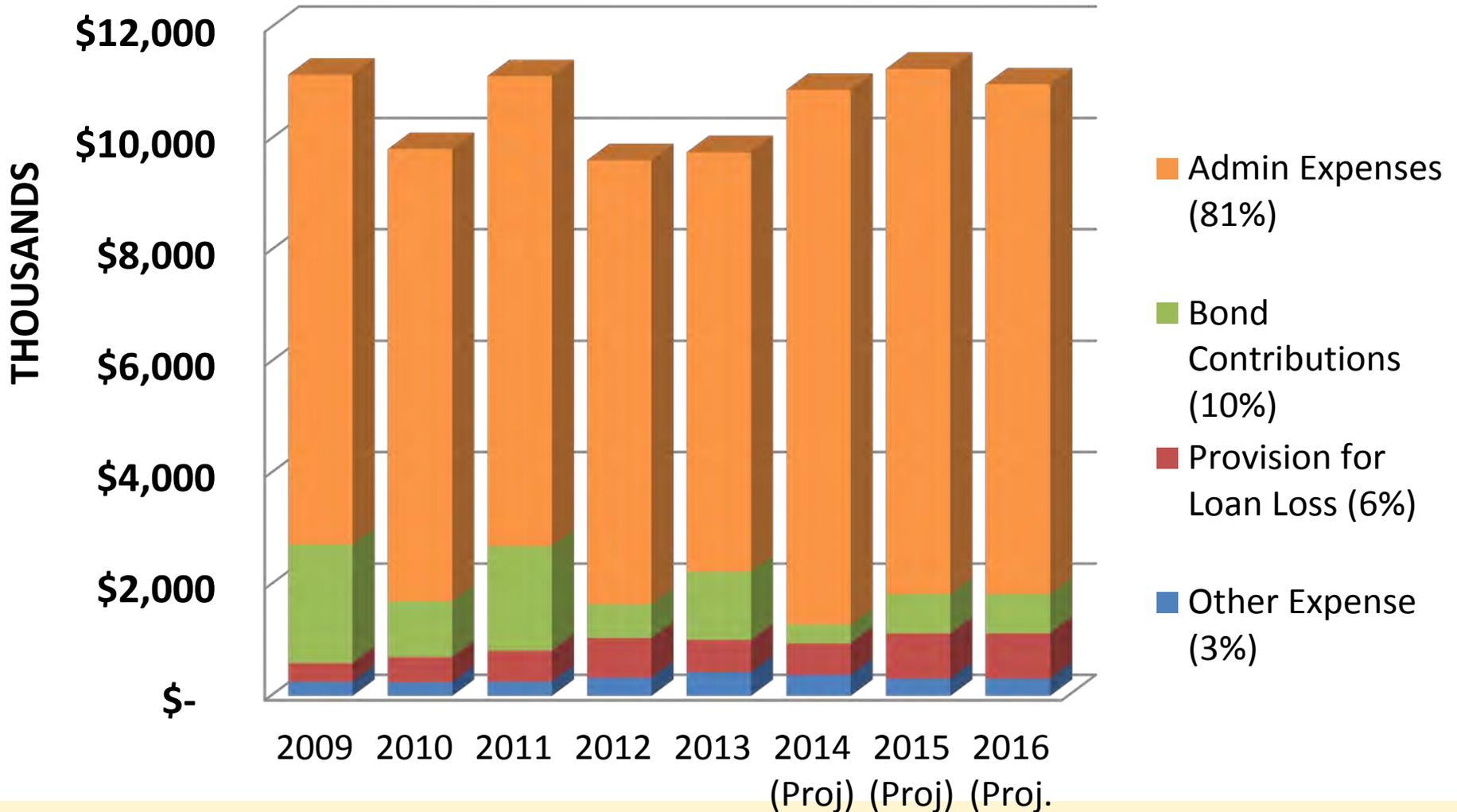
Pre-development loan products

Permanent financing

MFA Operating Fund Revenue Analysis 2009-2016 (Projected)



MFA Operating Fund Expenditure Summary 2009-2016 (Projected)



Detailed Administrative Expense Breakout

MFA Operating Fund (Projected FY14)

<u>Expenditure Category</u>	<u>% of Total Expenses</u>
• Compensation	57%
• Travel & Public Information	3%
• Office Expenses	6%
• Other Operating Expenses	13%
✓ Primarily Contractual Services	
• Non-Operating Expenses	21%
✓ Training & Technical Assistance, Program Development, Capacity Building	



MEMORANDUM

TO: Legislative Oversight Committee
FROM: Gina Hickman, Deputy Director of Finance & Admin
DATE: October 8, 2014
SUBJECT: Fiscal Year (FY) 2014-2015 General Fund Budget

Attached is MFA's General Fund proposed budget for FY 2014-2015. Revenue is projected at \$12,636,000, a decrease of (\$1,685,000) or (12%) under projected 9/30/14 actual and an increase of \$658,000 or 5% over prior year budget. The expense budget is projected at \$11,200,000, an increase of \$1,911,000 or 21% over 9/30/14 projected actual and a decrease of (\$406,000) or (3%) under prior year budget. The FY 2014-2015 budgeted excess revenue over expenses is \$1,436,000.

ANALYSIS OF SIGNIFICANT INCREASES (DECREASES) IN PROPOSED BUDGET TO PROJECTED ACTUAL AND PRIOR YEAR (PY) BUDGET

REVENUE: DECREASE UNDER PY ACTUAL (\$1,685,285) (12%); INCREASE OVER PY BUDGET 658,213 5%

The decrease under prior year actual is a result of \$2.5mm in State Investment Council (SIC) Fair Market Value adjustments included in FY14 actuals. SIC Fair Market Value adjustments are not budgeted. The decrease is offset by fees budgeted for securities sold in the To Be Announced (TBA) market as well as Regional Housing Authority and Affordable Housing Act funds obtained for FY15, which are also causing the increase over prior year budget. The increase over prior year budget is offset by a decrease in administrative fees from bond programs.

OPERATING EXPENSES: INCREASE OVER PY ACTUAL \$341,237 4%; INCREASE OVER PY BUDGET \$82,308 1%

Salaries: Increase over PY Actual \$57,192 2%; Decrease under PY Budget (\$1,293) 0% - See Attached Organization Chart

Regular merit increases are budgeted at 2.75% next year. The increase in budget is a result of vacancy savings realized in the prior year. The increase in actual and budget related to merit increases is offset by the elimination of one Database Programmer position, and the elimination of the Project Lead position supporting the Servicing Expansion Phase II on 3/31/2015.

Incentives: Increase over PY Actual \$48,055 25%; Increase over PY Budget 48,055 25%

Incentives were increased from 5% to 7.5% for FY2015.

Payroll Taxes, Employee Benefits: Increase over PY Actual \$100,460 6%; Increase over PY Budget \$21,417 1%

The increase in taxes and benefits over actual and budget is primarily due to salary increases and changes in staff positions, as well as incentives

identified above. In addition the increase over actual is also a result of the vacancies realized in prior year.

Contractual Services: Increase over PY Actual \$47,180 6%; Decrease under PY Budget (\$71,048) (8%)

The increase over prior year actual is due to fees for services related to Servicing Expansion, a Compliance Consultant and an Investment Advisor. The decrease under prior year budget is related to a decrease in Consolidated Plan and Fraud/Waste/Abuse consultants fees not incurred.

NON-OPERATING EXPENSES: DECREASE UNDER PY ACTUAL (\$389,824) (19%); DECREASE UNDER PY BUDGET (\$394,720) (19%)

Program Training & Technical Assistant (T&TA): Increase over PY Actual \$186,147 197%; Increase over PY Budget \$186,251 197%

The increase over prior year actual and budget is due to an increase in the Regional Housing Authorities oversight as well as funds included for T&TA initiatives identified in the Strategic Plan.

Capacity Building & Program Development: Decrease under PY Actual (\$575,971) (30%); Decrease under PY Budget (\$580,971) (30%)

The decrease under prior year budget is primarily due to a decrease in the Ventana Fund contribution offset by the addition of Affordable Housing Act funds and resource development activities identified in the Strategic Plan.

CAPITAL OUTLAYS: DECREASE UNDER PY ACTUAL (\$113,221) (89%); DECREASE UNDER PY BUDGET (\$113,221) (89%)

The decrease under prior year actual and budget is for software and infrastructure enhancements, as well as parking lot lighting installed in the prior year.

NON-CASH ITEMS: INCREASE OVER PY ACTUAL \$144,910 18%; INCREASE OVER PY BUDGET \$148,860 18%

Depreciation decreased under prior year actual (\$87,644) and budget (\$80,882) due to assets which have become fully depreciated. This is offset by an increase in Provision for Losses in actual \$243,526 and budget \$243,526 due to an adjustment for the second mortgage loan portfolio losses anticipated.

OTHER FINANCING SOURCES/USES: INCREASE OVER PY ACTUAL \$1,927,879 150%; DECREASE UNDER PY BUDGET (\$129,000) (17%)

The increase over prior year actual is due to closure of bond issues and negative arbitrage accounts that generated funds returned to the General Fund from the single family bond issues during FY2014. We don't anticipate a return of funds to this extent during FY2014. The decrease under prior year budget is based on an assumption that MFA will finance 25% of the single family mortgage program through bonds, down from 66% in prior year; the remaining 75% will be financed through the TBA market.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
GENERAL FUND
Fiscal Year 2014-2015 Budget**

	Proposed Budget 2015	9/30/2014 Projected Actual	Approved Budget 2014	Inc(Decr) '15 to Actual '14	% Inc(Decr) Budget '15 to Actual '14	Inc(Decr) Budget '15 to Budget '14	% Inc(Decr) Budget '15 to Budget '14
TOTAL PROJECTED REVENUE	12,635,946	14,321,231	11,977,732	(1,685,285)	-12%	658,213	5%
PROJECTED EXPENSES							
<u>COMPENSATION</u>							
Salaries	3,727,824	3,670,632	3,729,117	57,192	2%	(1,293)	0%
Overtime	3,383	3,027	3,343	356	12%	40	1%
Incentives	242,380	194,325	194,325	48,055	25%	48,055	25%
Payroll taxes, Employee Benefits	1,716,543	1,616,084	1,695,126	100,460	6%	21,417	1%
TOTAL COMPENSATION	5,690,130	5,484,068	5,621,911	206,063	4%	68,219	1%
<u>TRAVEL & PUBLIC INFORMATION</u>							
Customer Relations	4,767	4,564	4,717	203	4%	50	1%
Public Information	169,442	125,713	126,494	43,729	35%	42,948	34%
Housing Conference	10,000	13,811	12,500	(3,811)	-28%	(2,500)	-20%
In-State Travel	88,909	88,408	92,928	501	1%	(4,019)	-4%
Out-of-State Travel	92,050	81,725	84,532	10,325	13%	7,518	9%
TOTAL TRAVEL & PUB. INFO.	365,168	314,221	321,171	50,947	16%	43,997	14%
<u>OFFICE EXPENSES</u>							
Utilities/Property Taxes	77,227	78,465	77,894	(1,238)	-2%	(667)	-1%
Leasehold Expense	(1,944)	(1,716)	(1,716)	(228)	13%	(228)	13%
Insurance, Property & Liability	112,961	102,760	102,760	10,201	10%	10,201	10%
Repairs, Maintenance & Leases	317,062	296,958	284,288	20,104	7%	32,774	12%
Supplies	36,464	35,019	39,195	1,446	4%	(2,731)	-7%
Postage/Express mail	32,987	31,849	29,995	1,138	4%	2,992	10%
Telephone	24,099	23,525	27,595	573	2%	(3,496)	-13%
Janitorial	27,844	26,816	27,849	1,028	4%	(5)	0%
TOTAL OFFICE EXPENSES	626,701	593,676	587,860	33,025	6%	38,841	7%
<u>OTHER OPERATING EXPENSES</u>							
Interest Expense	153,916	128,679	128,679	25,237	20%	25,237	20%
Dues & Periodicals	57,302	57,254	57,254	48	0%	48	0%
Education & Training	65,678	75,281	75,144	(9,603)	-13%	(9,466)	-13%
Contractual Services	806,031	758,851	877,079	47,180	6%	(71,048)	-8%
Professional Services-Program	81,066	86,116	86,116	(5,050)	-6%	(5,050)	-6%
Trustee Fees	2,500	2,500	2,500	-	0%	-	0%
Rebate Analysis Fees	1,500	0	0	1,500	0%	1,500	0%
Direct Servicing Expenses	45,581	43,801	43,801	1,780	4%	1,780	4%
Program Expense-Other	41,350	51,239	53,100	(9,889)	-19%	(11,750)	-22%
Miscellaneous	0	0	0	-	0%	-	0%
TOTAL OTHER OPER. EXP.	1,254,924	1,203,721	1,323,673	51,203	4%	(68,749)	-5%
TOTAL OPERATING EXPENSES	7,936,923	7,595,686	7,854,615	341,237	4%	82,308	1%
NON-OPERATING EXPENSES							
Program Training & Technical Assistance	280,791	94,644	94,540	186,147	197%	186,251	197%
Program Development/Capacity Building Costs	1,360,250	1,936,221	1,941,221	(575,971)	-30%	(580,971)	-30%
TOTAL NON-OPERATING EXPENSES	1,641,041	2,030,865	2,035,761	(389,824)	-19%	(394,720)	-19%
TOTAL OPERATING & NON-OPERATING EXPENSES	9,577,964	9,626,551	9,890,376	(48,586)	-1%	(312,412)	-3%
CAPITAL OUTLAY & SERVICING ACTIVITY NON-CASH EXPENSES	14,700	127,921	127,921	(113,221)	-89%	(113,221)	-89%
TOTAL EXPENSES, CAPITAL & NON-CASH OUTLAY	10,555,560	10,572,458	10,832,333	(16,897)	0%	(276,773)	-3%
Other Financing Sources/Uses	644,000	(1,283,879)	773,000	1,927,879	150%	(129,000)	-17%
TOTAL EXPENSES & OFSU	11,199,560	9,288,578	11,605,333	1,910,982	21%	(405,773)	-3%
EXCESS REVENUE OVER EXPENSES	1,436,386	5,032,653	372,399	(3,596,267)	-71%	1,063,986	286%