



MEMO

TO: Legislative Oversight Committee
FROM: Julie Halbig, Director of Compliance and Initiatives
DATE: November 9, 2023
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.

Staff are proposing adoption of the amendment to MFA’s Rules and Regulations by the Legislative Oversight Committee. MFA’s Board reviewed and approved these changes at the October 18, 2023 monthly meeting.

Discussion:

As part of the MFA’s annual review of the Rules and Regulations, all Department Directors as well as MFA’s General Counsel and Bond Counsel reviewed the Rules and Regulations.

The proposed changes are from their markup of the Rules and Regulations:

Page & Section	Proposed Change/Question	Comments from General Counsel or Bond Counsel
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Throughout the Rules	Various Definitions throughout the Rules.	General Counsel’s recommended changes to the General Definitions are intended to align the definitions in these Rules with the Act, unless otherwise stated.
Throughout the Rules	For consistency, if a term or phrase is defined in the Rules or the Act, it will now be capitalized throughout the Rules.	Recommended by General Counsel.
Throughout the Rules	Consistent references to “state of New Mexico”.	Recommended by General Counsel.
Page 3, Definition O – Home Improvement Loan	Should the following language remain in the definition: “including without limitation the acquisition and installation of energy conservation building materials and solar energy equipment.”	Language is not in the MFA Act or Internal Revenue Code (IRC), but Bond Counsel recommends keeping the language in the definition of “Home Improvement Loan”.
Page 3, Definitions R, S and T– Manufactured, Mobile and Modular Home	The MFA Act defines “Manufactured Home” but not “Modular” and “Mobile Home”.	Bond Counsel recommends including references to all three definitions in Section 5.9: Single Family Homeownership Programs.
Page 4, Definition X – Mortgage Loan	Revision to definition of “Mortgage Loan”.	Bond Counsel recommends more generic language.
Page 4, Definition BB – Persons of Very Low, Low and Moderate Income	The term “Persons of Very Low, Low and Moderate Income” is defined in the Act yet it is not used in the Rules.	General Counsel included the term where appropriate throughout the Rules.
Page 5, Definition EE – Rehabilitation Page 7, Definition of Rehabilitation under Single Family Homeownership Programs	“Rehabilitation” shall mean the substantial renovation or reconstruction of an existing Residential Housing as may be further defined by Policies and Procedures established by MFA for particular programs.	General Counsel proposes using a more generic definition of “Rehabilitation” in the Definition section to encompass all of the MFA’s programs. General Counsel recommends including a more specific definition of “Rehabilitation in Section 5. Single Family Homeownership

		Programs that aligns to the Internal Revenue Code.
Page 10, Section 6 – Multifamily Dwelling, Transitional and Congregate Project Mortgage Loans, Definition G - Sponsor	There are references to “public” and “tribal entities” in the current definition of “Sponsor” under the Rules but this is not the case in the Act.	General Counsel states that both “public” and “tribal entities” are able to act as “Sponsors” so long as they do so through one of the allowed entity types. General Counsel recommends adding a footnote emphasizing the purpose of MFA in Section 2 as it relates to this definition of Sponsor and keep the reference to “public and tribal entities”.
Page 16, Section 7. Housing Opportunity Fund (HOF) – Additional Definitions	Add Definition of “Emergency Housing Needs Pilot Program”. Delete Definition of “BUILD IT Loan Guaranty Program” and “HERO”. These programs are no longer available.	Recommended by Acting Chief Financial Officer (CFO).

Summary:

Staff are proposing adoption of the amendment to MFA’s Rules and Regulations by the Legislative Oversight Committee. MFA’s Board reviewed and approved these changes at the October 18, 2023 monthly meeting.

NEW MEXICO MORTGAGE FINANCE AUTHORITY RULES AND REGULATIONS

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 ~~the New Mexico Mortgage Finance Authority (“MFA”)~~ and will become effective upon approval ~~of~~ by the 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 ~~P~~persons and ~~F~~families of ~~Very Low, L~~Low or ~~M~~moderate ~~I~~income; (ii) alleviating the shortage of adequate housing, including ~~M~~multiple-~~F~~family, ~~T~~transitional and ~~C~~congregate ~~D~~dwellings, in New Mexico for ~~P~~persons and ~~F~~families of ~~Very Low, L~~Low or ~~M~~moderate ~~I~~income; (iii) encouraging and providing the financing for the acquisition, construction, rehabilitation and improvement of ~~R~~residential ~~H~~housing, including ~~M~~multiple-~~F~~family, ~~T~~transitional and ~~C~~congregate ~~D~~dwellings, in New Mexico for ~~Persons and Families of Very Low, Low or Moderate Income~~~~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 ~~M~~mortgage ~~L~~loans at below market interest rates for private individuals, organizations and entities willing to undertake the acquisition, development and/or operation of ~~multiple-family~~~~Multiple-Family, transitional~~~~Transitional~~ and ~~e~~ongregate~~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~~~~MFA~~, 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; 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 (~~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 ~~established by~~ MFA for the particular program. 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-deed~~ of ~~Trust-trust~~ made by an Applicant 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~~Multiple-Family, ~~transitional~~Transitional and ~~econgregate~~Congregate dwelling ~~project~~Projects for persons and families of low or moderate income, which loan was made prior to the date of submission by the ~~Mortgage Lender~~Applicant 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 ~~M~~mortgage ~~L~~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; ~~it 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 ~~p~~remanufactured homes, built to Uniform Building Code standards ~~and~~ 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 on~~ a fee interest in real property located within the state, ~~or with or on~~ 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 ~~until~~ after the maturity date, ~~of~~ the Mortgage Loan or the instrument creating a lien on a ~~M~~mobile ~~H~~home.

V. “Mortgage Credit Certificate” shall mean certificates issued by MFA to ~~Persons of Low or Moderate Income~~ Persons of Very Low, 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, bank or trust company, trust company, mortgage company, mortgage banker, national banking association, savings bank, savings and loan 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”).*¹

X. “Mortgage Loan” shall mean a financial obligation secured by a Mortgage, including a Project Mortgage Loan or a security based on and backed by a pool of Mortgage Loans. Mortgage Loan refers to a New Mortgage Loan and not an existing Mortgage Loan.

Y. “Municipality” shall mean any county, city, town or village ~~of~~ 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 decent, safe and sanitary residential housing ~~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”) adjusted for family size. For Loans to persons and families on Indian Reservations or other Indian area, 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 and including 80% of the AMI adjusted for family size. Moderate Income persons or families are those with income above 80% and up to and including 150% 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—These is~~ definitions of ~~moderate—~~income applies to all non-federal, unrestricted programs administered by MFA. All federal and restricted programs will continue to

¹ 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.

follow the income requirements outlined in statute, regulations, guidance or contractual documents. This definition is in line with the needs throughout the ~~State~~ state and is 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.

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~~ Residential Housing as may be further defined by Policies and Procedures established by MFA for particular programs, 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 the acquisition, construction or rehabilitation of real property, buildings, and improvements undertaken primarily to provide one or more dwelling accommodations for Persons of Very Low, Low or Moderate Income ~~mean a specific work or improvement undertaken primarily to provide one or more dwelling accommodations~~, including, without limitation, Mmobile Hhomes, single-family, multiple familyMultiple-Family, transitionalTransitional and ccongregateCongregate 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-state of New Mexico.

JJ. “State, Local, Federal or Tribal Agency” means any board, authority, agency, department, commission, public corporation, body politic or instrumentality of the state or of a local, federal or tribal government; and

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~~ 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 established by ~~of~~ MFA for the particular program.

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~~ 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 established from time to time 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~~Secondary Market Facility, or from MFA’s general fund, or through the issuance of ~~M~~mortgage C~~eredit C~~erificates 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~~Persons of Very Low, Low or Moderate Income; (ii) the financing of Mortgage Loans, Home Improvement Loans and Rehabilitation Loans; and (iii) the purchase and sale of Mortgage Loans.

B. “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.

C. “Rehabilitation Loan” shall mean a qualified rehabilitation loan within the meaning of Section 143(k)(5) of the Internal Revenue Code of 1986, as that section may be amended or renumbered;

D. FOR PURPOSES OF THE MAKING OF LOANS TO MORTGAGE LENDERS, THE PURCHASE OR FINANCING OF MORTGAGE LOANS, REHABILITATION LOANS AND HOME IMPROVEMENT LOANS, “Residential Housing” shall mean an owner-occupied, single family residence located in the ~~State~~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 ~~L~~oan where the Rehabilitation is to be accomplished by the mortgagor, the date of completion of the Rehabilitation, or, with respect to Home Improvement Loans, is occupied by the mortgagor(s). For purposes of this definition, with regard to those properties and ~~project~~Projects funded by tax exempt ~~bonds~~Bonds, ~~a single family residence~~Residential Housing shall otherwise comply with the requirements of the Code and shall meet other requirements as MFA may from time to time determine to be necessary or appropriate to properly administer the Single Family Homeownership Program.

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5.2 Allocation of Funds for Financing.

~~Notice of Funds Availability (NOFA). When tax exempt bond 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.~~

A. 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~~ Mortgage Loans, Rehabilitation Loans 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, Rehabilitation Loans or Home Improvement Loans or otherwise utilize the funds for the purpose ~~stated in the notice of the program~~ within the time limits of the program; and/or

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.

B. 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 Aapplication 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, Rehabilitation 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, Rehabilitation 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, Rehabilitation Loans or Home Improvement Loans to MFA or its designee and to service such Mortgage Loans, Rehabilitation 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 financing of Mortgage Loans, Rehabilitation 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, Rehabilitation Loans and Home Improvement Loans shall be conclusive.

5.5 Financing of Mortgage Loans, Rehabilitation Loans and Home Improvement Loans. The financing of Mortgage Loans, Rehabilitation Loans and Home Improvement Loans by MFA shall be in accordance with the Policies and Procedures established by MFA for the particular program. Each Mortgage Loan, Rehabilitation 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, Rehabilitation Loans and Home Improvement Loans under the Single Family Homeownership Program.

5.6 Yield on Mortgage Loans, Rehabilitation Loans and Home Improvement Loans. Mortgage Loans, Rehabilitation 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~~ Bonds or other obligations; (ii) provide adequate reserves, if any, for the holder of any of MFA's ~~B~~ Bonds or other obligations; and (iii) cover the operating costs of MFA, but under no circumstances shall the interest rate exceed Bond yield by more than 1.125 percentage points.

5.7 Conditions of Mortgage Loans, Rehabilitation Loans and Home Improvement Loans.

A. Mortgage Loans, Rehabilitation 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, Rehabilitation Loan or Home Improvement Loan; and (ii) comply with the Policies and Procedures of MFA.

B. Each loan commitment to make a Mortgage Loan, Rehabilitation 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, Rehabilitation 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, Rehabilitation 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, Rehabilitation 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 Manufactured Homes, Mobile Homes and Modular Homes. The eligibility of Manufactured Homes, Mobile Homes and Modular 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~~Residential Housing designed for occupancy by more than four ~~Persons of Low or Moderate Income~~Persons of Very Low, 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 congregated 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~~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~~Congregate Housing Facility, at least sixty percent of whom are ~~Persons of Low or Moderate Income~~Persons of Very Low, Low or Moderate Income, including without limitation ~~Persons of Low or Moderate Income~~Persons of Very Low, Low or Moderate Income who are elderly and ~~handicapped who have a disability~~ 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~~and any other federal or state funding regulations.

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

E. “Project” shall mean any work or undertaking, whether new construction, acquisition of existing ~~residential housing~~Residential Housing, remodeling, improvement, or rehabilitation, ~~or conversion~~ approved by MFA for the primary purpose of providing sanitary, decent, safe, and a~~A~~ffordable R~~r~~esidential H~~h~~ousing within the s~~s~~tate for one or more ~~Persons of Low or Moderate Income~~Persons of Very Low, Low or Moderate Income.

F. “Project Mortgage Loan” shall mean a Mortgage Loan made to a Sponsor to finance P~~p~~roject C~~c~~osts, as such term is defined in the Act, 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 M~~m~~ultiple-F~~f~~amily D~~d~~welling, T~~t~~ransitional or C~~c~~ongregate H~~h~~ousing P~~p~~roject, 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~~state~~, including Tribal courts having jurisdiction of ~~project~~Projects located on Native American Trust Lands located in New Mexico.

H. “Transitional Housing Facility” shall mean ~~residential housing~~Residential Housing that is designed for temporary or transitional occupancy by ~~Persons of Low or Moderate Income~~Persons of Very Low, 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 for the particular program and 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 for the particular program and 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 for the particular program and 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 for the particular program;

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 [established for the particular program](#).

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~~[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~~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 ~~P~~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 ~~C~~eosts 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 ~~pr~~ojectProject 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 ~~pr~~ojectProject;
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 ~~pr~~ojectProject, 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 ~~P~~project ~~C~~eosts for each ~~pr~~ojectProject. 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 [projectProject](#), 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 [projectProject](#);
- 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 [projectProject](#) 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 [projectProject](#) 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 [Statestate](#) 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 ~~project~~Projects.

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

~~E. E.—“Emergency Housing Needs Pilot Program” shall mean MFA’s program designed to provide one-time assistance when an individual or household faces an emergency situation is defined as a sudden or unexpected circumstance that has displaced a person or household, poses a significant risk of displacement to a person or household, or threatens the health and safety of an individual or household.~~

~~F.~~

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

~~F.—“HERO” shall mean MFA’s program designed to provide a first fixed rate Mmortgage Lloan, 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 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 ~~project~~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 ~~M~~mortgage ~~L~~loans; and
- B. Secondary Market Facility” shall mean a corporation, trust, or other form of legal entity established by ~~the authority~~MFA for the purpose of the purchase, with private or public funds legally available therefor, of ~~mortgage~~-Mortgage Lloans, mortgage-based obligations, ~~pass-through securities~~Pass-Through Securities or interests therein.

8.2 Establishment of Secondary Market Facility. MFA may establish and implement a ~~secondary market facility~~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~~Secondary Market Facility, MFA may issue ~~pass-through securities~~Pass-Through Securities and may purchase and contract to purchase Mortgage Loans, ~~pass-through securities~~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~~Secondary Market Facility, the issuance of ~~pass-through securities~~Pass-Through Securities and for the purchase or issuance by, or the sale of, such obligations to the ~~secondary market facility~~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~~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~~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~~Secondary Market Facility; and (iv) characteristics of ~~pass-through securities~~Pass-Through Securities to be issued by the ~~secondary market facility~~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.