

New Mexico Mortgage Finance Authority



MFA

Housing New Mexico

Legislative Oversight Committee

November 22, 2021



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Table of Contents

- 1 FY 2021 MFA Strategic Plan Benchmarks
- 2 MFA Fiscal Year 2022 Budget
- 3 Changes to Existing and Proposed Rules Promulgated by the MFA
- 4 MFA 2022 Legislative Agenda: Final Review of Bills

Tab 1



MFA Strategic Plan Benchmarks

FY 2021

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



Benchmark: 1

Provide mortgage financing for 2,129 homebuyers

Q1

On Target

MFA financed 766 homebuyers in Q1 of FY 2021 and 766 homebuyers YTD

Q2

On Target

MFA financed 745 homebuyers in Q2 of FY 2021 and 1,511 homebuyers YTD

Q3

Met

MFA financed 673 homebuyers in Q3 of FY 2021 and 2184 homebuyers YTD

Q4

Met

MFA financed 721 homebuyers in Q4 of FY 2021 and 2,905 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 32.84% for a YTD average of 32.84%

Q2

On Target

The MFA quarterly product utilization reported for Q2 is 31.10% for a YTD average of 31.97%

Q3

On Target

The MFA quarterly product utilization reported for Q3 is 25.48% for a YTD average of 29.81%

Q4

Met

The MFA quarterly product utilization reported for Q4 is 34.90% for a YTD average of 31.08%



Benchmark: 3

Finance the development and/or preservation of 900 rental and homeownership units

Q1

On Target

Financed development of 623 units in Q1.

Q2

Met

Financed development of 428 units and preserved 333 units in Q2, for a YTD total of 1,384 developed and preserved.

Q3

Met

Financed development of 9 single family units and preserved 193 multifamily units in Q3, for a quarter total of 202. Preserved units in Q2 corrected to 330, for a YTD total of 1,583 developed and preserved.

Q4

Met

Financed development of 3 single family units in Q4, for a YTD total of 1,586 developed and preserved.



Benchmark: 4

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

Q1

On Target

Q1 (Oct-Dec 2020)
Unduplicated Clients = 613
Exits to PH = 312 =
50.89%

Q2

On Target

Q2 (Jan-Mar 2021)
Unduplicated Clients = 613
Exits to PH = 276 = 45% for a FYTD average of 48%



MFA Strategic Plan Benchmarks FY 2021

Q3	On Target	Q3 (April - June 2021) Unduplicated Clients = 593 Exits to PH = 256 = 43%, FYTD Average 46%
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Q4	Met	Q4 (July - Sept 2021) Unduplicated Clients = 602 Exits to PH = 222 = 37%, FYTD Average 44%
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Benchmark: 5

Achieve annual combined average loan delinquencies of MFA serviced portfolio below 10.0%

Q1	On Target	The Q1 combined average delinquency rate was 9.51%. Combined average delinquency rate YTD is 9.51%.
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Q2	On Target	The Q2 combined average delinquency rate was 8.03%. Combined average delinquency rate YTD is 8.77%.
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Q3	On Target	The Q3 combined average delinquency rate was 7.26%. Combined average delinquency rate YTD is 8.20%.
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Q4	Met	The Q4 combined average delinquency rate was 7.61%. Combined average delinquency rate YTD is 8.02%.
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Benchmark: 6

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

Q1	On Target	Subserviced portfolio delinquency is 18.39% Compared to the most recent FHA purchase delinquency rate of 19.10%
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Q2	On Target	Subserviced portfolio delinquency is 15.68% Compared to the most recent FHA purchase delinquency rate of 18.12%
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Q3	On Target	Subserviced portfolio delinquency is 14.87%. Compared to the June 2021 FHA purchase delinquency rate of 15.86%
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Q4	Met	Subserviced portfolio delinquency is 13.35%. Compared to the July 2021 FHA purchase delinquency rate of 15.37%
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Benchmark: 7

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

Q2	Met	In Q1 and Q2, evaluated the efficacy of a housing assistance program and implemented the COVID-19 Housing Cost Assistance Program and evaluated program improvements to NMHTF, New Mexico Affordable Housing Tax Credit and New Mexico Charitable Trust.
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Q3	Met	In Q3, MFA evaluated and implemented a landlord mitigation program. MFA has partnered with the New Mexico Children Youth and Families Department (CYFD) to create a program that addresses the barriers that prevent landlords from renting to youth who do not have a credit history, rental history and in some cases a criminal history. The purpose is to increase access to safe, permanent, and supportive housing opportunities for youth (ages 25 and under) who otherwise would be homeless. MFA's primary role is to process claims submitted by landlords to cover costs such as excessive damage to rental units, lost rent, or legal fees beyond the security deposit. Year to date, five programs/products have been evaluated, and two have been implemented.
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Q4	Met	In Q4, no new products or programs evaluated. Year to date, five programs/products have been evaluated, and two have been implemented.
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MFA Strategic Plan Benchmarks

FY 2021

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 1750 social media engagements each quarter across all platforms

Q1	New	MFA had 5,621 total social media engagements in quarter one on Facebook, Instagram, Twitter and LinkedIn.
Q2	On Target	MFA had 1,884 total social media engagements in quarter two on Facebook, Instagram, Twitter and LinkedIn.
Q3	On Target	MFA had 2,381 total social media engagements in quarter three on Facebook, Instagram, Twitter and LinkedIn.
Q4	Met	MFA had 1,266 total social media engagements in quarter four on Facebook, Instagram, Twitter and LinkedIn. Average across all quarters is 2,788.



Benchmark: 9

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

Q2	Met	In Q1 and Q2, MFA implemented the COVID-19 Housing Cost Assistance Program to provide housing assistance to households across New Mexico and expanded the Emergency Solution Grant (ESG) Rental Assistance Program (RAP) (Alianza took on Chavez, Eddy and Lea Counties; DreamTree took on Colfax, Harding, Mora, San Miguel, Taos and Union Counties; Heading Home took on Cibola, McKinley and Socorro Counties; Help NM took on Curry, DeBaca, Grant, Guadalupe, Hidalgo, Lincoln, Luna, Quay, Roosevelt and Torrance Counties).
Q3	Met	In Q3, MFA implemented the New Mexico Homeowner Assistance Fund (HAF) program to provide homeownership assistance to households across New Mexico and implemented the HAF roofing program to provide emergency roofing services in the southwest portion of the state. YTD total is four.
Q4	Met	In Q4, no programs expanded. YTD total is four.



Benchmark: 10

Conduct outreach to and/or assist at least 25 local governments, tribal governments, potential new program partners and/or elected officials

Q2	Met	In Q1 and Q2, MFA staff provided assistance to four local governments (Grant County, Colfax County, Dona Ana County and City of Las Cruces), conducted outreach to 10 elected officials (State Rep. Andrea Romero, State Rep. Angelica Rubio, State Senator Gerald Ortiz y Pino, State Senator Nancy Rodriguez, State Rep. Candy Ezzell, Congresswoman Leger Fernandez, Congresswoman Torres Small, Congresswoman Haaland, Congresswoman Herrell and Senator Heinrich) and conducted outreach to twelve tribal governments (Mescalero Apache, Isleta, Santa Ana, Taos, Acoma, Laguna, Santo Domingo, Jemez, Santa Clara, San Felipe, Zuni and Jicarilla Apache).
Q3	Met	In Q3, MFA conducted outreach to two potential partners (United South Broadway and Pattern Holdings), one elected official (Senator Lujan), and two tribal governments (Northern Pueblos Housing Authority and Mescalero Apache Housing Authority). Total unduplicated YTD outreach is 30 entities.
Q4	Met	In Q4, MFA conducted outreach to two local governments (Silver City and Los Lunas), one potential partner (North Central New Mexico Economic Development District), four elected officials (State Rep. Roger Montoya, State Rep. Meredith Dixon, State Speaker of the House Brian Egolf, and Congresswoman Stansbury), and one tribal government (Ohkay Owingeh Housing Authority). Total unduplicated YTD outreach is 38 entities.



MFA Strategic Plan Benchmarks FY 2021



Benchmark: 11

Provide at least 34 formal group training opportunities for property owners, developers, service providers and/or lenders

Q2	On Target	In Q1 and Q2, MFA provided 28 trainings, including an owner/agent training overview of the COVID-19 Housing Cost assistance program, three trainings for HOPWA service providers (10/7, 11/23 and 1/13), a seven-week RAP training series by CSH, the annual QAP training and 23 lender trainings.
Q3	Met	In Q3, MFA provided 14 lender trainings as follows: April 1 – Guild, April 1 - Caliber Home Loans, April 8 – Manufactured Housing Loan Training with Jessica - Wright of Fannie Mae,- April 15 – Mann Mortgage, April 20 – Wallick & Volk, April 22- Primary Residential Mortgage, April 29 - Keller Williams Realty Riverside, May 5 - PrimeLending Mortgage, May 24- Simple Real Estate, May 27 – New American Funding, June 3- ROC Realty, June 7 – Manufactured Home Title Deactivation Training w/ Scott Flores, June 9 – AmCap and June 16- Wallick & Volk. Additionally, Community Development held the following trainings in Q3: 1) HOPWA training on April 1st. 2) Neighborly training for HAF pilot program for Southwest Regional in May 2021. 3) Vet Rehab PEER Exchange training on June 8th. 4) HUD/VHRMP Quarterly Grantee Meeting with Tierra del Sol on June 24th. Community Development also held eight weatherization trainings during Q3, and Policy and Planning held a Section 3 training with developers and contractors in June 2021. YTD total is 55.
Q4	Met	In Q4, MFA provided five lender trainings as follows: August 3 - First American Bank, August 3 - Primary Residential, September 1 - Gateway First Bank, September 8 - Frost Mortgage and September 28 - Bank of Albuquerque. Next, MFA provided training to our partners that manager RTC properties on September 23. Finally, MFA provided Income Guideline Training for Southwestern Regional Housing for compliance with the Emergency Repair Program. YTD total is 62.

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



Benchmark: 12

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	On Target	FY2020 Audit was submitted and approved by the State Auditor's Office.
Q2	Met	FY2020 Audit was approved by the Board on 1/20/21 with no material weaknesses.



Benchmark: 13

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	Moody's confirmed the AAA rating on the MFA 2005 Single Family Bond Indenture. MFA maintains a Aa3 Stable rating on it's issuer credit rating.
Q3	Met	Moody's reaffirmed MFA's Aaa/stable rating on its single family indenture in April 2021.
Q4	Met	No ratings activity during the quarter. MFA maintains a Aa3 Stable rating on its issuer credit rating.



MFA Strategic Plan Benchmarks FY 2021



Benchmark: 14

Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.7%, based on five-year average

Q1	On Target	Operating performance and profitability was 9.7% as of 12/31/20.
Q2	On Target	Operating performance and profitability was 13.7% as of 3/31/21.
Q3	On Target	Operating performance and profitability was 12.5% as of 6/30/21.
Q4	Met	Operating performance and profitability was 13.2% as of 9/30/21.



Benchmark: 15

Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 28.6%, based on five-year average

Q1	On Target	Balance sheet strength as of 12/31/20 was 28.3%.
Q2	On Target	Balance sheet strength as of 3/31/21 is 29.3%.
Q3	On Target	Balance sheet strength as of 6/30/21 is 29.0%.
Q4	Not Met	Balance sheet strength as of 9/30/21 is 28.5%.



Benchmark: 16

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

Q1	On Target	MFA closed 2020 Series B single family bond issue in Q1 and achieved the 18 basis points target for bond administration fees.
Q2	On Target	There were no single family bonds issued in Q2.
Q3	On Target	MFA closed 2021A single family bond issue in Q3 and achieved the 18 basis points target for bond administration fees.
Q4	Met	MFA closed 2021C single family bond issue in Q4 and achieved the 18 basis points target for bond administration fees.



Benchmark: 17

Realize profitability of 1.75% on TBA executions

Q1	On Target	Realized profitability of 2.02% in Q1.
Q2	On Target	Realized profitability of 2.33% in Q2.
Q3	On Target	Realized profitability of 2.15% in Q3.
Q4	Met	Realized profitability of 2.19% in Q4.



Benchmark: 18



MFA Strategic Plan Benchmarks FY 2021

Maintain servicing fee yield at an average of 0.40% of the purchased servicing portfolio.

Q1	On Target	Servicing fee yield as of 12/31/20 was .45%.
Q2	On Target	Servicing fee yield as of 3/31/21 is .40%.
Q3	On Target	Servicing fee yield as of 6/30/21 is 0.41%.
Q4	Met	Servicing fee yield as of 9/30/21 is 0.41%.



Benchmark: 19

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. HUD has modified MORS and now allows remote desk reviews; however, we do not have to enter units but still have to inspect common areas, the site and buildings. CA's can choose to perform or postpone if state has travel restrictions or strict COVID requirements.
Q2	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned. MORS have been scheduled but due to strict travel and COVID restrictions none have been performed this quarter.
Q3	On Target	All PBCA tasks were completed this quarter as required by the contract, and 100% of the base fees were earned. Staff have started to schedule and perform MORS this quarter.
Q4	Met	All PBCA tasks were completed as required for Q4, and 100% of the base fees were earned.



Benchmark: 20

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	Met	As of 3/31/2021 99.99% of the compliance fees have been collected.
Q3	Met	As of 6/30/2021 99.99% of the compliance fees have been collected.
Q4	Met	As of 9/30/2021 100% of the compliance fees have been collected.



Benchmark: 21

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

Q1	On Target	Commitment and expenditure rate at 12/31/20 was 100%.
Q2	Caution	Commitment and expenditure rate at 3/31/21 was 95%.
Q3	Caution	Commitment and expenditure rate at 6/30/21 was 94%.
Q4	Not Met	Commitment and expenditure rate at 9/30/21 was 94%.



Benchmark: 22

Provide at least \$8,200,000 in resources for affordable housing through expenditure of New Mexico



MFA Strategic Plan Benchmarks FY 2021

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 \$1,999,016.
Q2	On Target	Total of resources provided in Q2 is \$5,227,503 for a YTD total of \$7,226,519.
Q3	On Target	Total of resources provided in Q3 is \$236,250 for a YTD total of \$7,462,769.
Q4	Not Met	Total of resources provided in Q4 was \$456,805 for a YTD total of \$7,919,574.



Benchmark: 23

Evaluate at least one new business model or financial tool

Q1	Met	In Q1, MFA evaluated the Interest Only Strip Execution for the Single Family Mortgage Program. Its benefits include extremely low borrowing costs, an annuitized income stream, ease of execution, no volume cap required to execute and greatly reduced costs of issuance. While there are also some limitations (market to market valuation adjustments, no optional call and the volatility of future economic return), several Housing Finance Agencies across the country have implemented this funding tool. Staff recommended holding moving to implementation to see how the market for this type of execution unfolds and to allow Secondary to get their pooling/securitization functions in place.
Q2	Met	In Q2, MFA's Servicing Department reviewed and evaluated three IVR systems to help borrowers self-help and reduce the need for direct contact via phones with the servicing staff.
Q3	Met	In Q3, MFA evaluated the Social Bond designation and decided to pursue it later if market conditions cause a reduction or change in bond investors.
Q4	Met	In Q4, MFA evaluated the Wells Fargo Commercial Credit Card. Further, MFA re-evaluated its Cash Reserve Policy to determine whether a portion of excess cash reserves can be re-allocated for use in the Down Payment Assistance (DPA) and other programs. MFA will continue to evaluate the policy and liquidity needs before making a final recommendation for revision to the Cash Reserves policy. Fiscal YTD evaluations is five.



Benchmark: 24

Increase funding by at least one new source

Q1	On Target	
Q2	Met	During Q1 and Q2, MFA has been awarded four new funding sources, including a \$2.5 million Capital Magnet Fund award to support MFA down payment assistance, a \$12.3 million CDBG-CV award to support housing assistance, a \$15 million dollar Coronavirus Relief Fund (CRF) award to support housing and homelessness assistance and a ~\$3.6 million Section 811 award.
Q3	Met	During Q3, MFA was awarded three additional funding sources, including contract totaling ~\$2.5 million to lead the Homeowner Assistance Fund (HAF) planning process and implement pilot projects, \$15,000 for the landlord mitigation pilot project and \$1,842,000 in CDBG-RHP. Total new sources are now at seven.
Q4	Met	During Q4, MFA did not receive any new funding sources. Total YTD sources is seven.



Benchmark: 25



MFA Strategic Plan Benchmarks

FY 2021

Improve at least three MFA processes or resources

Q1	New	
Q2	Met	<p>In Q1 and Q2, MFA staff updated 16 processes or resources: 1) Servicing created a fillable ACH request form for borrowers that they can submit online; 2) Servicing worked with IT to create a payoff report and unapplied balance report; 3) Servicing improved the process of preparing and reconciling the MBFRF report; 4) Servicing reformatted the payoff cover letter to save time from manual letter folding and stuffing; 5) Accounting implemented the check register payment information upload into Neighborly; 6) Housing Development (HD) finalized a record retention policy; 7) HD revised its deposit fee and payment desktop procedures to incorporate recommended process improvements and cross-checks from an internal audit; 8) HD revised its universal closing index checklist to incorporate recommended improvements and cross-checks from an internal audit; 9) HD created a draft loan folder desktop procedure manual for loan development managers to provide consistency and improvements in electronic file storage; 10) HD redrafted its underwriting guidelines to improve the applicant experience with "one-stop shopping"; 11) HD created and implemented an inter-departmental CHDO operating grant processing procedure to improve the inter-departmental process; 12) HD created and implemented LURA loan modification desktop procedures; and 13) HD created templates for its rental award summary to provide efficiencies and improve the approval process for loans; 14) HD created and implemented a quarterly board report for reporting on project progress to better inform the board; 15) HD created and implemented a quarterly Funds Available Report to better inform PC; and 16) the Community Development Department (CDD) reached a strategic goal by improving our agency monitoring process. CDD developed a procedure to accommodate remote review of documents and organize them in an electronic filing system. Program managers can share documents for agencies they have in common, which also reduces the number of times an agency is required to provide the same information. Our old monitoring process required program managers to review documents at the agency's office making it impossible to QC those documents. The improved process requires agencies to scan and upload to a secure MFA server all documents required for the monitoring. This makes it easy to QC and specific monitoring documents can be searched within minutes. Also, end of year scanning can be eliminated because the documents would have been already scanned by the agency.</p>
Q3	Met	<p>In Q3, Servicing implemented the following process improvements: 1) Streamlined the payoff document process from five to three steps, eliminating multiple scanning and review steps. All documents and releases are now being scanned directly without printing, which saves paper and staff time. 2) Corrected spacing on payoff release letter and now can use stuffing machine, which saves staff time and costs from labels. 3) Created quick form print from MITAS, which applies to >20 forms. It allows for quick access to forms and the ability to print one form per loan. The process saves time when running and merging information to generate a letter. 4) Improved process for re-pooling loans after modification and repurchase out of the GNMA pool. Implemented communication and review process to determine that the loan modification documents are recorded and the payments are current before hedging. This reduces delays in the repooling process and eliminates or reduces extension fees. 5) Improved process for loan modification repurchase. In order to improve portfolio reconciliation between IHFA and MFA systems, improved loan identification by updating allocations in MITAS to properly identify the loan as an MFA whole loan until its re-pooled. 6) Created a Virpack process to eliminate manual approvals and printing documentation for wire transfer requests. YTD total is 22.</p>
Q4	Met	<p>In Q4, MFA staff made eight improvements, as follows. 1) The Community Development Department (CDD) applied the Neighborly Software System when working with the Emergency Repair Pilot Program. This software has the capability to handle all the components, uploads and reporting as well as the overall management of the repair program. It also accurately keeps track of all funding expenditures, units and counties for the projects in each quarter. Generally, it organizes all information that is being required from various departments within MFA for internal and external reporting requirements. 2) CDD improved the Community Development Snapshot and Funds Tracking Sheet by adding a Program</p>



MFA Strategic Plan Benchmarks

FY 2021

Year and Fiscal Year section for reconciliation with the actual Snapshot report by the CDD Administrative Assistant. The entire Snapshot and Funds Tracking Sheet is reconciled each month with the Access Database. The Funds Tracking Sheet keeps track of all HOME funding, and the MFA Housing Report keeps track of all Veterans funding. Upon review of how all funding is tracked for the rehab program within MFA, it was imperative that this initial report was created and implemented. 3) Servicing created and implemented 6 workflows in Virpack in the 4th quarter. YTD total improvements is 30.

Goal 4 - Provide robust technology solutions



Benchmark: 26

Maintain a RS3 score greater than or equal to 725, averaged over four quarters

Q1	On Target	MFA's internal and external penetration testing was completed on 10/1/2020. MFA received a RiskSense Security Score (RS3) of 815 (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 822. 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 818.
Q3	On Target	MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 822. 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 Q3. Average for first three quarters is 820.
Q4	Met	MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 811. 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 818.



Benchmark: 27

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 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.
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.



MFA Strategic Plan Benchmarks

FY 2021

of six.



Benchmark: 28

Implement new software solutions

Q1	On Target	Completed the implementation of the Duplication of Benefits program along with integrations with Accounting processes. VirPack workflows added and modified for Homeownership and Accounting. Document Request and Chain of Custody for documents created for requesting of all payoff/foreclosures/legal requests. Created automated process for IT weekly, monthly, and annually checklists, this also created online submittal of new employee checklist.
Q2	On Target	Phish alert function and training provided to all employees. PolicyPak implemented to set default browser and push out global policy. Cisco Smartnet Collector implemented to help manage IT service contracts. HOPWA program is being tested in online Invoicing. New Servicing reports creating within our Mitas Reports, also completed the NCSHA report for Accounting (this provided a huge efficiency for accounting, the report took 2-3 people a week or 80 hours, now it takes 2 hours and is completed automatically).
Q3	On Target	HOPWA programing was completed for the online Invoicing, will be released to production in Q4. Single Family quarterly disclosure reporting for NCSHA, new payoff and unapplied loan balance report created for servicing.
Q4	Met	HOPWA program implemented successfully and released to production. Updated HDS to NexGen version 1.0.6 for Asset Management and Housing Development. Implemented the new PAR online system for all users and updated New Mexico EnergySmart.

Goal 5 - Foster a dynamic work environment



Benchmark: 29

Achieve employee engagement survey participation of 90% and score of 82%

Q2	On Target	Survey will open in May with results distributed in July 2021
Q3	On Target	91% participation achieved. Score will not be released until August 19, 2021
Q4	Met	91% participation achieved with a score of 86.57.



Benchmark: 30

Complete compensation survey

Q2	On Target	This is a mini survey which will commence at onset of Q4
Q3	On Target	Mini Compensation Survey underway. Estimated completion mid-September
Q4	Met	Survey completed

Tab 2



Budget Overview – FY22

Stephanie Yara, Chief Financial Officer

Legislative Oversight Committee
November 22, 2021

FY20 - FY21 Production & Financial Highlights

2020 RESPONSIVENESS, CHANGE MANAGEMENT & BUSINESS CONTINUITY:

- COVID-19: market volatility, servicing liquidity and delinquency management, CARES Act Awards (~\$24mm), decreased home rehabilitation and property monitoring *Revenue, Expenses, Assets Managed, Liquidity*
- Fourth record year of Single Family Mortgage Production *Revenue, Production/Assets Managed*
- Technology solutions including telecommuting support *Expenses*
- Maintained Moody's issuer credit rating
- Best Places to Work nomination (-2021)

2021 COVID RESPONSE, TEAM EXPANSION & REORGANIZATION:

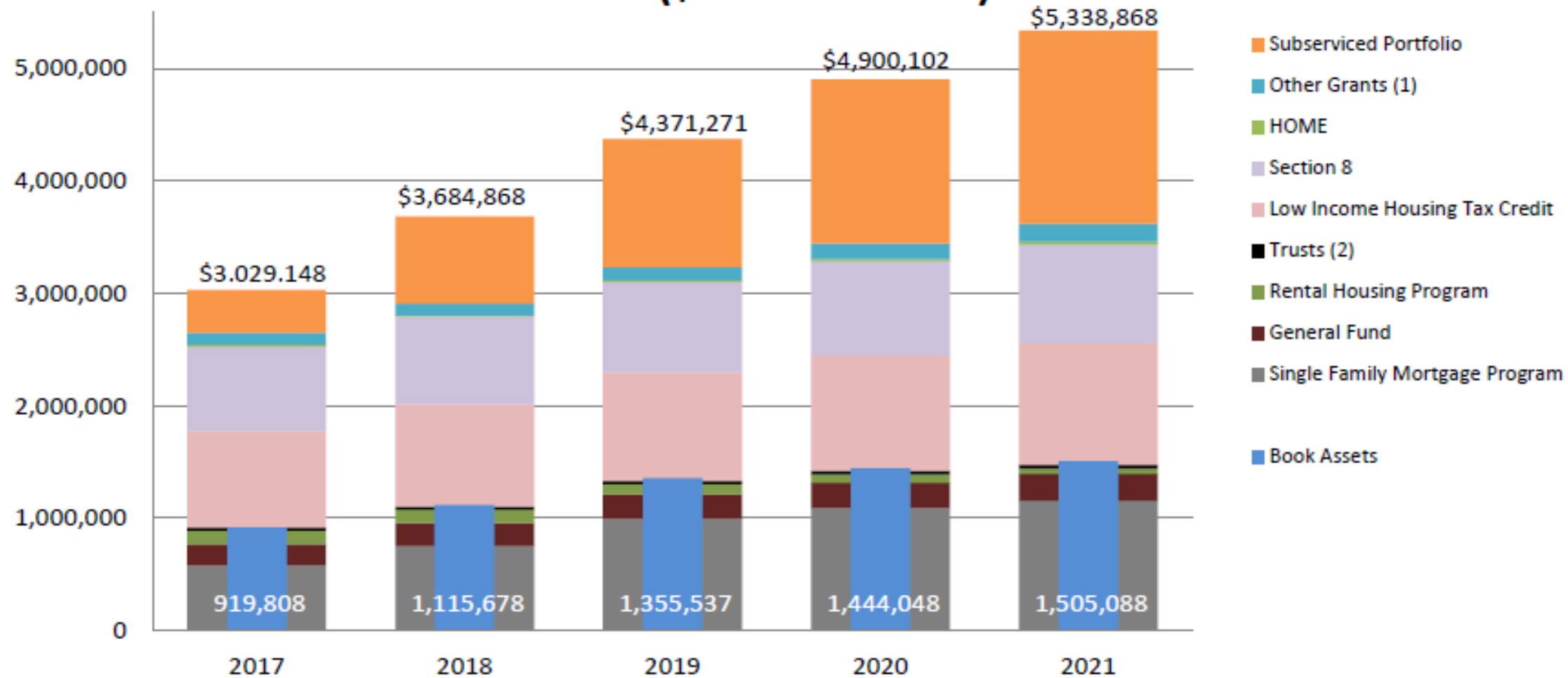
- Recovering from record mortgage delinquencies due to COVID-19
- Assisted New Mexicans with COVID-19 funds (CRF, CDBG-CV, HAF, ESG-CV, HOPWA-CV) *Revenue, Expenses, Assets Managed, Liquidity*
- High construction costs threaten new affordable housing projects
- Building renovation completed *Expenses*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

IMPACT LEGEND:

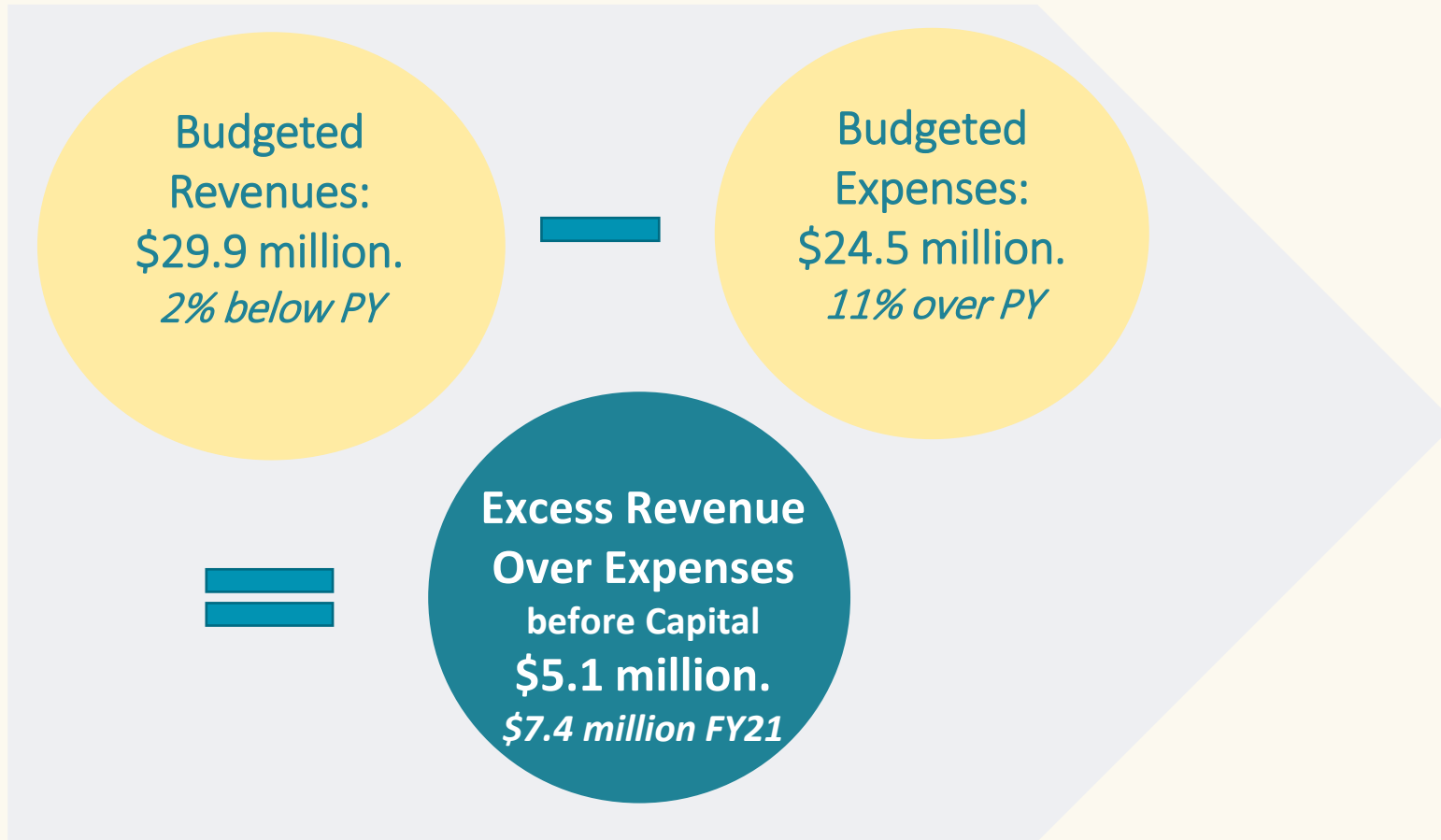
Red : Negative Impact

Green: Positive Impact

Assets Under Management as of 9/30/2021 (\$ in thousands)



FY22 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 2021 to FY 2022

DECREASE IN ADMINISTRATIVE FEE INCOME

- Projected decrease in TBA loan production results in less Admin fees earned on secondary market sales.
- Expected decrease in housing program Admin fees due to lower volume of federal pandemic relief funds. *(also decreases related expenses)*

COMPENSATION INCREASES

- 3.25% salary increase; merit-based process; organization wide average.
- Due to organization growth, added 14.5 FTE.
- Benefit increases of 11% due to increased insurance premiums.

MISCELLANEOUS VARIANCES

- Non-Cash Expenses- increase of 59% due to an increase in amortization of servicing rights, offset by a decrease in provision for loan losses.
- Program Development- decrease of 41% related to prior year contribution made to the Veterans Rehab program.

LOAN PORTFOLIO INCOME

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

CHANGES IN DIRECT SERVICING EXPENSES

- An increase in subservicing fees and repurchase loan expenses are expected as the MFA serviced loan portfolio grows.
- A decrease in lender compensation expense is expected due to slight planned reduction in overall loan production.

Operating Revenue Summary 2017-2022

Millions

4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0

2017

2018

2019

2020

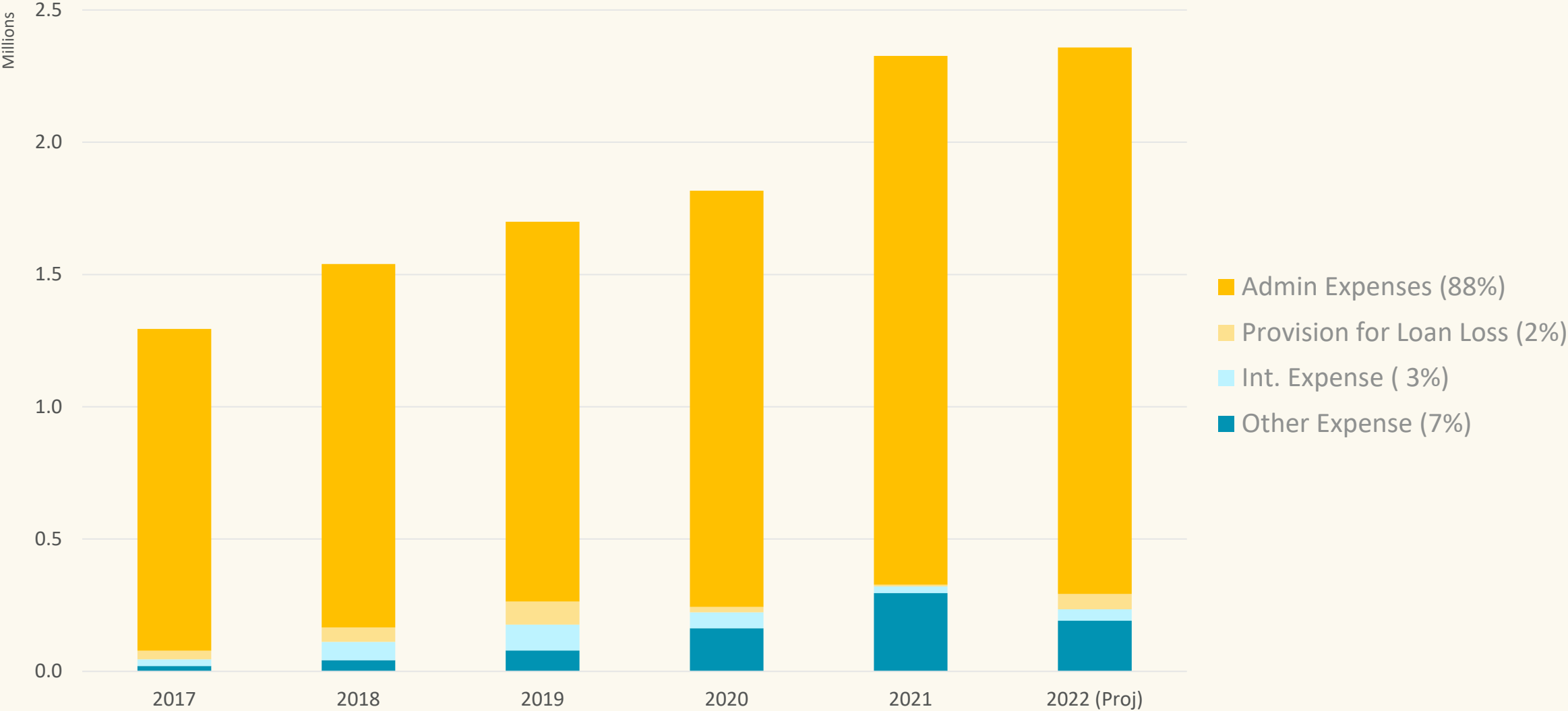
2021

2022 (Proj)

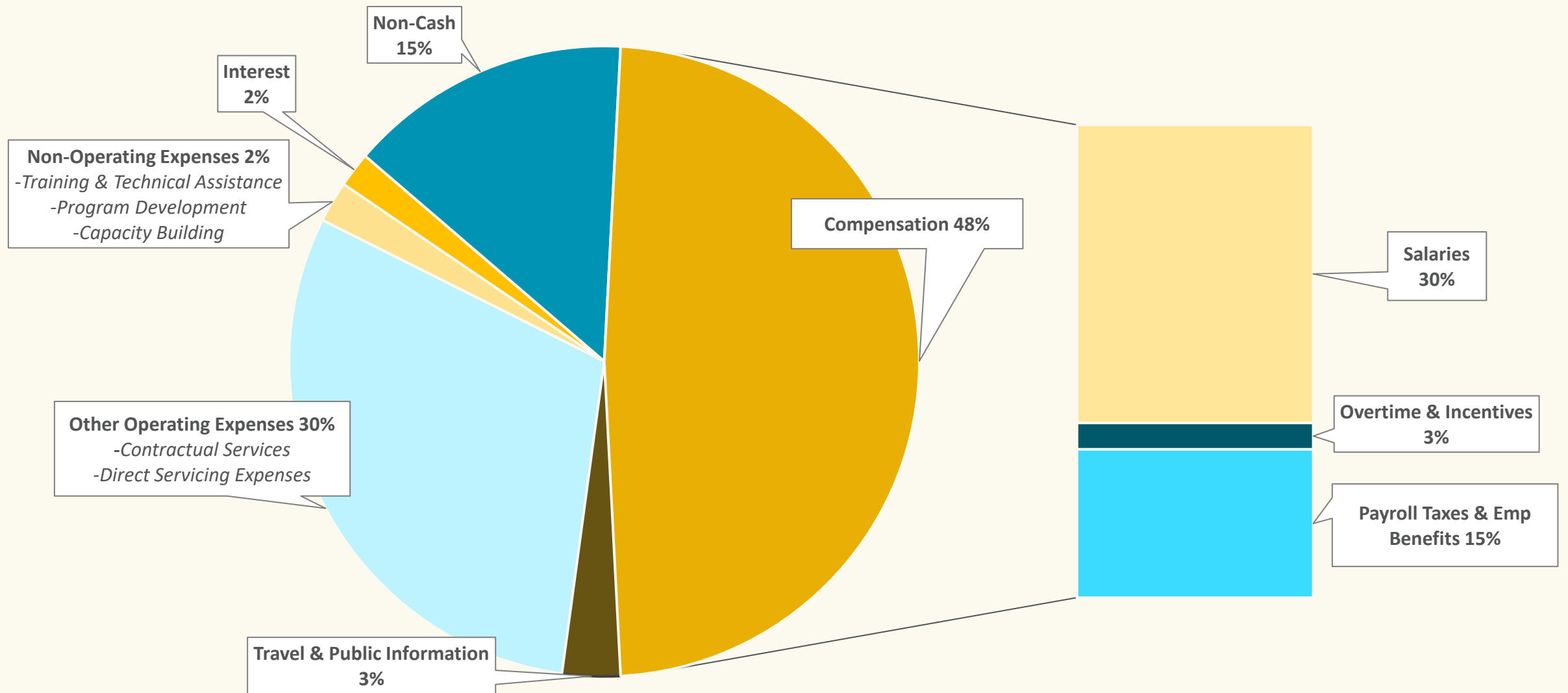
- Admin Fees (44%)
- Interest-Loans (24%)
- Housing Program Income (5%)
- Servicing Income (20%)
- Interest-Investments (6%)
- Other Income (1%)



Operating Expense Summary 2017-2022



Administrative Expense Breakdown FY22



FY22 Capital Budget

FY21- final amended

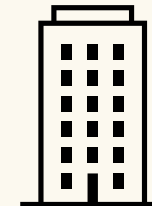
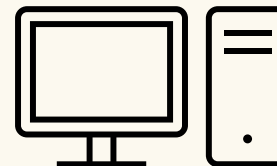
Purchased Servicing Rights	\$ 5,265,750
Furniture & Equipment	\$ 161,714
Computer Hardware	\$ 121,000
Building	<u>\$ 648,077</u>
Total	<u>\$ 6,196,541</u>

FY22

Purchased Servicing Rights	\$ 4,193,250
Furniture & Equipment	\$ 83,900
Computer Hardware	\$ 184,324
Building	<u>\$ 0</u>
Total	<u>\$ 4,461,474</u>

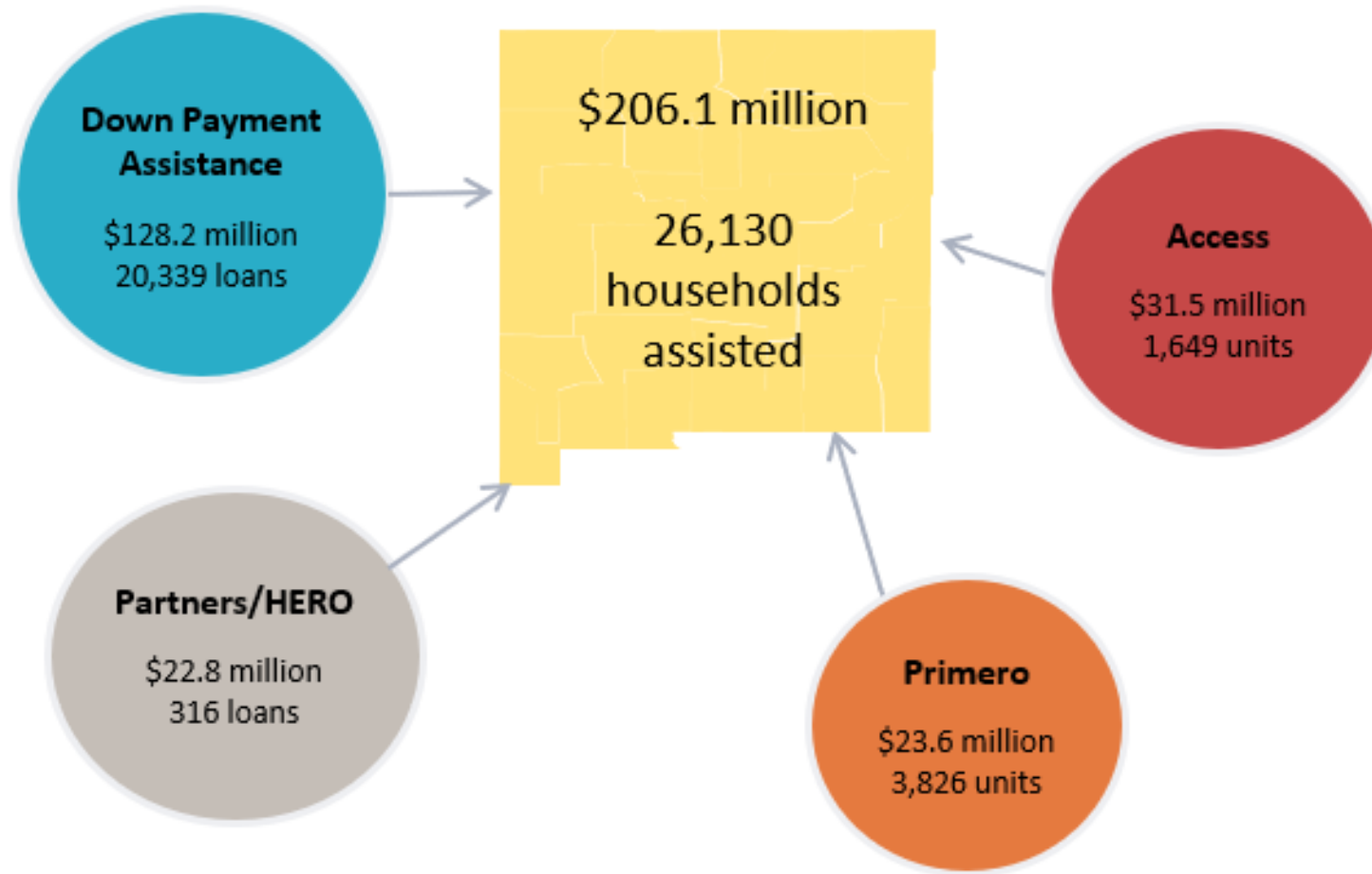
SIGNIFICANT VARIANCES

- Decrease in purchased servicing rights due to projected decreased single family mortgage production
- Reduction for one-time Building renovation costs in FY21



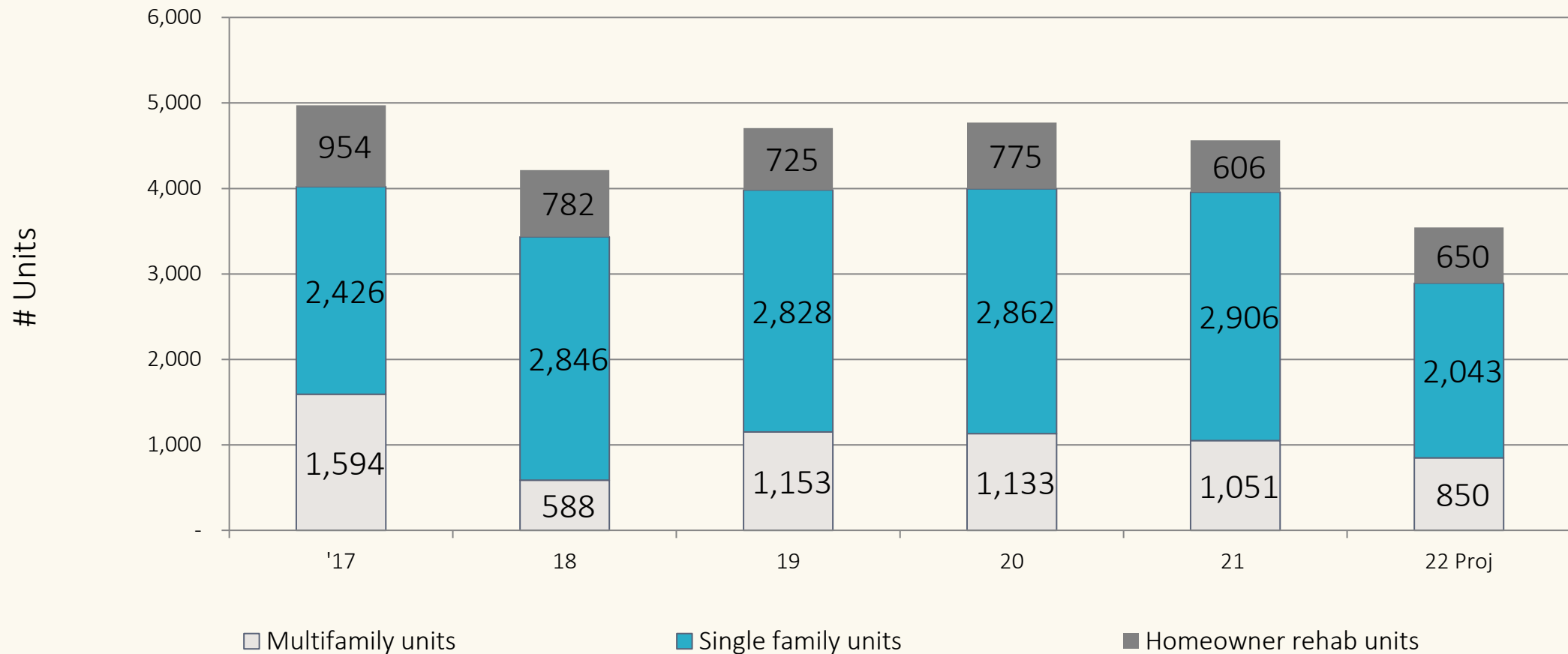
MFA's Housing Opportunity Fund

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 22, 2021

Tab 3



MEMO

TO: Legislative Oversight Committee
Through: Policy Committee – September 14, 2021
FROM: Julie Halbig
DATE: November 22, 2021
SUBJECT: Proposed amendments to MFA's Rules and Regulations

Recommendation:

MFA staff recommends approval of the amendments proposed herein to the MFA Rules and Regulations.

Background:

Attached for your review is a redlined version of the MFA Rules and Regulations, indicating amendments proposed for reasons of accuracy in respect to the current practices in the implementation of MFA programs and consistency with the Act. Below please find a summary of the proposed amendments, made 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 of by the Mortgage Finance Authority Act oversight committee, rules and regulations ...

MFA provided a 30-day notice for these proposed amendments on its website, and an opportunity for public comment, as required by the MFA Act.

Page	Section	Proposed Amendment
Throughout the document		Change “the MFA” to “MFA” which conforms to MFA style guide.
Throughout the document		Change “Multi Family” to “Multifamily” which conforms to MFA style guide.
1	Section 2. Purpose and Objectives Insert new (iv)	Add “(iv) down payment assistance for persons and families of low or moderate income; (v)” to reflect a primary focus of MFA activity and persons served.

3	Section 3. General Definitions R. <u>Manufactured Home</u>	Add definition of “Manufactured Home” to reflect a type of housing that MFA supports through its programming.
3	Section 3. General Definitions T. <u>Modular Home</u>	Add definition of “Modular Home” to reflect a type of housing that MFA supports through its programming.
17	Section 8. Secondary Market Facility Subsection 8.1 Additional Definitions A. <u>Pass-Through Securities</u> B. <u>Secondary Market Facility</u> Subsection 8.2 Establishment of Secondary Market Facility.	Add definitions of “Pass-Through Securities” and “Secondary Market Facility” to align with the Mortgage Finance Authority Act, Section 58-18-3.2.

Summary:

MFA staff is proposing these amendments to MFA’s Rules and Regulations for reasons of accuracy in respect to the current practices of MFA, its programs and consistency with the Mortgage Finance Authority Act.

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 MFAMFA~~ and will become effective upon approval of ~~the MFAMFA~~ 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 ~~the MFAMFA~~’s requirements set forth in the Policies and Procedures of ~~the MFAMFA~~. 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 ~~the MFAMFA~~.

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

F. “Bonds” or “Notes” shall mean the bonds or bond anticipation notes, respectively issued by ~~the MFAMFA~~ 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 ~~the MFAMFA~~ 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.

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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 ~~the MFAMFA~~ 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.

~~QQ.~~ “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.

~~SR.~~ “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”.

~~US.~~ “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 ~~the MFAMFA~~ 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.

~~VT.~~ “Mortgage Credit Certificate” shall mean certificates issued by ~~the MFAMFA~~ 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.

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WU. “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 ~~the MFAMFA~~ and either the FHA, VA, RHS, HUD’s Office of Native American Programs, FNMA (“Fannie Mae”), or FHLMC (“Freddie Mac”).*¹

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

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

ZX. “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 ~~the MFAMFA~~ may require.

AAZ. “Oversight Committee” shall mean ~~the MFAMFA~~’s Oversight Committee created by, and appointed in accordance with, the Act.

BBZ. “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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~ 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.

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

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.

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

EECC. “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 ~~the MFAMFA~~. 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.

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

GGEE. “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

HHFF. “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.

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

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

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

SECTION 4. GENERAL REQUIREMENTS. The following requirements shall apply to all programs established by ~~the MFAMFA~~.

4.1 Fees and Charges of ~~the MFAMFA~~. ~~The MFAMFA~~ 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 ~~the MFAMFA~~ in such amounts as ~~the MFAMFA~~ may deem appropriate. Such fees may be used for, among other purposes: (i) reimbursing ~~the MFAMFA~~ 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 ~~the MFAMFA~~ determines require additional inducements to accomplish. ~~The MFAMFA~~ 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. ~~The MFAMFA~~ shall cause each Mortgage Loan financed by ~~the MFAMFA~~ to be serviced pursuant to the Policies and Procedures of ~~the MFAMFA~~.

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

4.5 Purchase of ~~the MFAMFA~~'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 ~~the MFAMFA~~ in an amount related to the aggregate principal amount of the Mortgage Loans to be sold to ~~the MFAMFA~~ by such Mortgage Lender (or related person).

4.6 Policies and Procedures. ~~The MFAMFA~~ 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 ~~the MFAMFA~~; 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 ~~the MFAMFA~~ and be available for review by all Applicants and the general public during normal business hours.

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

SECTION 5. SINGLE FAMILY HOMEOWNERSHIP PROGRAMS. In addition to the programs defined in this Section 5, ~~the MFAMFA~~ 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 ~~the MFAMFA~~'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 ~~the MFAMFA~~'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) ~~the MFAMFA~~'s program pursuant to which ~~the MFAMFA~~ shall issue Mortgage Credit Certificates to Persons of Low or Moderate

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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 ~~the MFAMFA~~ 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, ~~the MFAMFA~~ will issue a Notice of Funds Availability. The notice shall be an invitation to submit a request for reservation of funds to ~~the MFAMFA~~.

B. Allocation of Funds by ~~the MFAMFA~~. Funds may be allocated by ~~the MFAMFA~~ either on an aggregate or on a loan-by-loan basis in accordance with ~~the MFAMFA~~’s Reservation and Compliance Procedures. Allocations of funds for mortgages and/or Home Improvement Loans financed by ~~the MFAMFA~~ shall be conclusive. In making such allocations, ~~the MFAMFA~~ 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;

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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 ~~the MFAMFA~~.

5.3 Applications.

A. Process for Applying. ~~The MFAMFA~~ 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 ~~the MFAMFA~~ shall contain, among other things, the unconditional agreement of the Applicant, upon acceptance of the Application by ~~the MFAMFA~~, to sell Mortgage Loans or Home Improvement Loans to ~~the MFAMFA~~ or its designee which comply with the terms of an agreement to be signed by the Applicant and ~~the MFAMFA~~.

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

C. Notification of Acceptance. ~~The MFAMFA~~, 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 ~~the MFAMFA~~ to participate in the Single Family Homeownership Program. ~~The MFAMFA~~'s approval or disapproval of any Application shall be conclusive.

5.4 Acceptance. ~~The MFAMFA~~ 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 ~~the MFAMFA~~ from the Applicant of a commitment fee, if any, and the documents required by ~~the MFAMFA~~ within the time specified in the acceptance. In all cases ~~the MFAMFA~~ may deny requests and may reallocate funds in accordance with ~~the MFAMFA~~'s Reservation and Compliance Procedures. The allocation and reallocation of funds by ~~the MFAMFA~~ 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 ~~the MFAMFA~~ shall be in accordance with the Policies and Procedures established by ~~the MFAMFA~~. 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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~'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 ~~the MFAMFA~~ on such Mortgage Loans and Home Improvement Loans sufficient to (i) pay interest on any related issue of ~~the MFAMFA~~'s bonds or other obligations; (ii) provide adequate reserves, if any, for the holder of any of ~~the MFAMFA~~'s bonds or other obligations; and (iii) cover the operating costs of ~~the MFAMFA~~.

5.7 Conditions of Mortgage Loans and Home Improvement Loans.

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

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 ~~the MFAMFA~~ within such time periods as are specified by ~~the MFAMFA~~.

5.8 Restrictions on Return Realized by Mortgage Lenders. ~~The MFAMFA~~ 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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~.

SECTION 6 MULTIPLE FAMILY DWELLING, TRANSITIONAL, AND CONGREGATE PROJECT MORTGAGE LOANS. In addition to the Multi-Family Housing Programs as defined in this Section 6, ~~the MFAMFA~~ 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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~, 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. “Multi-Ffamily Housing Program” shall mean a program involving a Congregate Housing Facility, a Multi-Ffamily 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 ~~the MFAMFA~~ 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 Multi-Ffamily 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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~ 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 ~~the~~

~~MFAMFA~~ in accordance with paragraph 4.6 of these Rules and Regulations. The Application shall contain such information as required by the Act and ~~the MFAMFA~~ for determining whether ~~the MFAMFA~~ shall finance the Mortgage Loans.

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

C. Other Programs Established by ~~the MFAMFA~~. ~~The MFAMFA~~ shall, from time to time, establish Application procedures for programs. The Application procedures shall be published in Policies and Procedures established by ~~the MFAMFA~~ 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 ~~the MFAMFA~~ of a program Application;
2. timely submission of all other information and documentation related to the program required by ~~the MFAMFA~~, as set forth in MFA's Policies and Procedures;
3. timely payment of any fees required to be paid to ~~the MFAMFA~~ 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. ~~The MFAMFA~~ 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. ~~The MFAMFA~~ 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 Multi-Family 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:

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(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. ~~The MFAMFA~~ 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 Multiple-Family 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, ~~the MFAMFA~~ 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. ~~The MFAMFA~~'s assessment of the ability of the Mortgage Lender or its designated servicer to act as originator and servicer of Mortgage Loans for the Multi-Family Housing Programs to be financed; and

5. Previous participation by the Mortgage Lender in ~~the MFAMFA~~'s programs and HUD, FHA, or RHS/USDA programs.

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C. Other Applicants. ~~The MFAMFA~~ 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. ~~The MFAMFA~~ shall, in writing, notify each Applicant, which has submitted an Application as to the aggregate principal balance of the loan, if any, ~~the MFAMFA~~ shall agree to make, subject to the conditions set forth in the Application. The aggregate principal balance of loans, which ~~the MFAMFA~~ 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. ~~The MFAMFA~~ 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, ~~the MFAMFA~~ shall require that the maximum mortgage amount not exceed the estimate of the replacement cost of the Multi-Family 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 ~~the MFAMFA~~, 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 Multi-Family Housing Project, ~~the MFAMFA~~ 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. ~~The MFAMFA~~ 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.

~~The MFAMFA~~ 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. ~~The MFAMFA~~ shall make all reasonable efforts to provide loan assistance under various ~~Multi-Family~~ Multifamily Housing Programs on a statewide basis. In providing for reasonable geographic allocation for all MFA ~~Multi-Family~~ Multifamily Housing Programs, ~~the MFAMFA~~ 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 multi-family 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 multi-family 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, ~~the MFAMFA~~ 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. ~~The MFAMFA~~ 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 ~~Multi-Family~~Multifamily Housing Program financed or assisted by ~~the MFAMFA~~ shall be undertaken in a manner consistent with principles of non-discrimination and equal opportunity, and ~~the MFAMFA~~ 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, ~~the MFAMFA~~ 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 ~~the MFAMFA'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 ~~the MFAMFA's~~ Single Family Homeownership Program (as defined in Section 5, above) to acquire single family homes.

B. "Partners Program" shall mean ~~the MFAMFA'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 ~~the MFAMFA'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 ~~the MFAMFA's~~ program designed to provide guaranteed or insured construction and permanent financing for affordable rental developments.

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

F. “HERO” shall mean ~~the MFAMFA~~’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 ~~the MFAMFA~~’s issue of Home Improvement Loan Revenue Bonds, 1985 Series A and financing adjustment factor (FAF) savings derived from ~~the MFAMFA~~’s ~~Multi-Family~~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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~ 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 ~~the MFAMFA~~ may determine from time to time.

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7.4 Administration. ~~The MFAMFA~~ 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. ~~The MFAMFA~~, 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. ~~The MFAMFA~~ 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. ~~The MFAMFA~~ 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, ~~the MFAMFA~~ 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. ~~The MFAMFA~~ 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.

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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 ~~the MFAMFA~~, 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 4



MFA 2022 Legislative Agenda

New Mexico Housing Trust Fund (NMHTF)

\$70 million

This appropriation could help acquire, build, rehabilitate, preserve, finance, weatherize and/or provide energy efficiency upgrades for approximately 4,578 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 \$12.05 million. MFA has also previously sought and received funding for its 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. MFA can utilize New Mexico Housing Trust Funds to both build or rehabilitate affordable housing in addition to weatherizing and providing energy efficiency improvements to the homes of low-income New Mexicans. The funding can also be used for other types of housing-related services and assistance. **Results:** The New Mexico Housing Trust Fund has grown from approximately \$22 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 \$64 million, including the state's \$22 million investment, interest income and loan repayments, to 65 housing projects totaling 4,532 housing units. Further, over \$3.3 million in COVID-19 assistance has been or will soon be provided to 417 households. These impressive developments have leveraged approximately \$698 million in other funding sources: that's over a 31-to-1 return on the state's initial investment!

Discussion Items

NMHTF Recurring Funding 3.5% of Severance Tax Bond Capacity

This proposed bill would allocate the lesser of \$15 million or 3.5% of the estimated severance tax bonding capacity each year to the New Mexico Housing Trust Fund (NMHTF) for affordable housing. The allocation would be funded through short term severance tax “sponge” notes or from severance tax long term bonds.

Background: The New Mexico Housing Trust Fund Act created a state-funded affordable housing source in 2005. It has created 4,532 affordable housing units, provided COVID-19 housing assistance to many households and has a 31-to-1 return on the state’s initial investment. Demand for the funds is great, but MFA has received inconsistent funding for the NMHTF, which has made it difficult to plan or meet the demand for affordable housing funding. Housing affordability is becoming even more of a challenge in New Mexico as both rental and homeownership prices rise at unbelievable rates, threatening the housing stability of many low- and moderate-income New Mexicans. Creating a recurring funding source will help address this important need.

Expansion of Linkages Program

This appropriation would double the size of the Linkages program – expanding it from 318 program participants to 636. The proposed expansion will require 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 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.