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NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Financial Statements
and Single Audit Reports

September 30, 2008

(With Independent Auditors' Report Thereon)

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Table of Contents

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Board of Directors

September 30, 2008

Name	Title
Diane D. Denish, New Mexico Lieutenant Governor	Chair
Michael Sivage	Vice Chair
Jimmy Daskalos	Treasurer
James B. Lewis, New Mexico State Treasurer	Member
Gary King, New Mexico Attorney General	Member
Mike Loftin	Member
Justin Harper	Member

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Albuquerque, NM 87190

Independent Auditors' Report

Authority Members
New Mexico Mortgage Finance Authority and
Mr. Hector Balderas, New Mexico State Auditor:

We have audited the accompanying financial statements of the business-type activities of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the state of New Mexico, as of and for the years ended September 30, 2008 and 2007, which comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2008 and 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of pledged collateral is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of pledged collateral and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

KPMG LLP

January 23, 2009

This section of the New Mexico Mortgage Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of financial position and changes in financial position for the fiscal years ended September 30, 2008 and 2007. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34).

The Authority is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the Authority's activities. This analysis should be read in conjunction with the independent auditors' report, audited financial statements, and accompanying notes.

Financial Highlights

The Authority's overall financial position and results of operations for the current and two most recent prior years are presented below (in thousands):

	2008	2007	2006
Cash and cash equivalents (unrestricted and restricted)	$ 274,953	524,213	434,716
Investments (unrestricted and restricted)	36,481	43,428	49,541
Mortgage-backed securities and mortgage loans receivable	1,272,524	1,042,412	928,644
Total assets	1,614,744	1,641,626	1,442,033
Bonds payable	1,441,952	1,491,035	1,290,949
Total liabilities	1,467,294	1,511,980	1,313,144
Total net assets	147,450	129,646	128,889
Total operating revenues	93,233	75,533	62,031
Total operating expenses	78,521	75,533	72,680
Total nonoperating revenues	3,092	757	12,036
Operating gain (loss)	14,712	—	(10,649)
Change in net assets	17,804	757	1,387

Financial Position

The net assets of the Authority increased $17.8 million from September 30, 2007 to September 30, 2008 and increased $0.8 million from September 30, 2006 to September 30, 2007. The following table is a condensed summary of net assets at September 30, 2008, 2007, and 2006 (in thousands):

		2008	2007	2006
Assets:				
Current assets	$	179,178	42,053	227,689
Noncurrent assets		1,435,566	1,599,573	1,214,344
Total assets		1,614,744	1,641,626	1,442,033
Liabilities:				
Current liabilities		163,572	29,009	215,355
Noncurrent liabilities		1,303,722	1,482,971	1,097,789
Total liabilities		1,467,294	1,511,980	1,313,144
Net assets:				
Invested in capital assets, net of related debt		(586)	(463)	(311)
Restricted		23,627	12,475	15,089
Restricted for land title trust and housing trust		17,250	13,720	12,471
Unrestricted		107,159	103,914	101,640
Total net assets	$	147,450	129,646	128,889

Comparison of Years ended September 30, 2008 and 2007

The decrease in cash and cash equivalents reflects decreased repayments from securitized mortgage loans (mortgage-backed securities or MBSs), mortgage loan prepayments (payoffs), and excess revenues held at September 30, 2008 in anticipation of bond redemptions scheduled for January 1, plus the $107 million decrease in acquisition fund balances held to purchase MBS and the $128 million decrease in the Authority's Draw Down facility. The Draw Down facility consists of obligations issued to refund maturities and redemptions of previously issued single family mortgage revenue bonds (Prior Bonds), thereby preserving the Private Activity Bond Volume Cap (Cap) associated with Prior Bonds, to the extent permitted by federal income tax law. Draw Down obligations are also issued to preserve current allocations of Cap. Cap is the federally limited authority to issue certain tax-exempt bonds including mortgage revenue bonds. The Draw Down obligations are later refunded with the proceeds of new single family mortgage revenue bonds (New Bonds). Through this process, Cap, both from Prior Bonds and current allocations, is preserved in the Draw Down obligations and is transferred (recycled) from time to time to New Bonds as they are issued. The decrease in investments is primarily due to maturities in the General Fund bond ladder. The Authority purchased $321.5 million in MBSs during the year; however, MBS purchases were offset by MBS prepayments of $83.9 million and whole loan prepayments of $1.7 million, reflected in the $230.1 million net increase of MBS and mortgage loans receivable. The overall effect of these elements resulted in the 1.6% decrease in total assets.

The effect of loan production over the past year and the decrease in the Draw Down facility are also factors in the $49.1 million net decrease in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were $452.5 million; however, bond repayments and refundings totaled $497.9 million, resulting in a net decrease for the year. This net decrease in bonds payable was primarily the result of demand for our Single Family Bond Program loans offset by the decrease in the Draw Down facility. The Authority received $102.9 million repayments of securitized mortgage loans and $11.7 million repayments of whole loans during the year.

The net increase in current assets of approximately $137.1 million is primarily the result of an increase of the reclassification of the Authority's Draw Down facility from noncurrent assets in 2007 to current assets in 2008. Similarly, the net increase in current liabilities of approximately $134.6 million is primarily the result of that reclassification.

Comparison of Years ended September 30, 2007 and 2006

The increase in cash and cash equivalents reflects increased repayments from securitized mortgage loans (mortgage-backed securities or MBS), mortgage loan prepayments (payoffs), and excess revenues held at September 30, 2007 in anticipation of bond redemptions scheduled for January 1, plus the $7.7 million increase in the Authority's Draw Down facility maintained for the purpose of escrowing volume cap. The decrease in investments is primarily due to an increased shift from invested funds to liquid funds (i.e., cash, restricted cash, and cash equivalents) in order to facilitate bond redemptions. The Authority purchased $236.7 million in MBSs during the year; however, MBS purchases were offset by MBS prepayments of $118.8 million and whole loan prepayments of $2.3 million, reflected in the $113.8 million net increase of MBS and mortgage loans receivable. The overall effect of these elements resulted in the 13.8% increase in total assets.

The effect of loan production over the past year is also a factor in the $200.1 million net increase in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were $854.6 million; however, bond repayments and refundings totaled $654.0 million, resulting in a net increase for the year. This net increase in bonds payable was primarily the result of high demand for our Single Family Bond Program loans. The Authority received $135.4 million repayments of securitized mortgage loans and $11.7 million repayments of whole loans during the year.

The net decrease in current assets of approximately $185.6 million is primarily the result of an increase of the reclassification of the Authority's Draw Down facility from current assets in 2006 to noncurrent assets in 2007. Similarly, the net decrease in current liabilities of approximately $186.3 million is primarily the result of that reclassification.

Change in Financial Position

The Authority's operating income for the year increased by approximately $14.7 million when compared to fiscal year 2007. The following table is a condensed summary of changes in net assets for the years ended September 30, 2008, 2007, and 2006 (in thousands):

		2008	2007	2006
Operating revenues:				
Interest on loans and MBS	$	63,818	52,189	48,273
Interest on securities and investments		15,624	24,248	25,720
Program revenues		1,776	1,661	1,439
Net increase (decrease) in fair value of investments		9,678	(6,629)	(17,283)
Loan and commitment fees		1,583	1,706	1,772
Administrative fees and other revenues		754	2,358	2,110
Total operating revenues		93,233	75,533	62,031
Operating expenses:				
Interest expense		69,323	65,982	64,262
Administrative fees and other		9,198	9,551	8,418
Total operating expenses		78,521	75,533	72,680
Operating income (loss)		14,712	—	(10,649)
Nonoperating revenues (expenses):				
Grant award income		37,002	38,382	39,726
Grant award expense		(37,002)	(38,382)	(39,726)
State general fund appropriation		3,000	—	10,000
Land title trust contributions		100	757	2,066
Land title trust grant distributions		(8)	—	(30)
		3,092	757	12,036
Change in net assets		17,804	757	1,387
Total net assets, beginning of year		129,646	128,889	127,502
Total net assets, end of year	$	147,450	129,646	128,889

Comparison of Years ended September 30, 2008 and 2007

The change in fair value of securities for 2008 was an increase of $9.7 million compared to a decrease of $6.6 million in 2007. This line represents an increase in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2008 compared to their fair value at September 30, 2007 due to current market conditions as required by Governmental Accounting Standards Board Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* (GASB No. 31). The effect of the change from 2007 to 2008 is an increase over prior year of $16.3 million. Without the GASB No. 31 adjustment, operating income decreased $1.6 million compared to prior year.

In 2008, the nonoperating revenues increased by $2.3 million due to the Authority recognizing in 2008 $3.0 million of state appropriations as the administrator of the New Mexico Housing Trust Fund, offset by a decrease of $0.7 million of nonoperating revenues in contributions pursuant to the Land Title Trust Fund of which the Authority is also the administrator. Both trust funds were enacted by the New Mexico State Legislature. Operating revenues increased $17.7 million from 2007 to 2008, primarily due to the difference in the GASB No. 31 adjustment as described above, plus increased loan interest. Without the GASB No. 31 adjustment, operating revenues were approximately $1.4 million more than the prior year, as the low interest rate environment continued to moderate, affecting interest revenue. Higher mortgage loan production increased mortgage interest revenue by approximately $11.6 million. However, as rates continued to moderate, interest revenue from investment securities decreased over the prior year by approximately $8.6 million, due to the reduced volume of invested cash from prepayments.

Operating expenses increased by $3.0 million, primarily due to the impact of rising rates on bonds payable affecting the $3.3 million increase in interest expense. Loss on early redemption of bonds, which is included in program expenses, decreased by approximately $0.2 million due to decreased redemptions from prepayments in 2008.

Comparison of Years ended September 30, 2007 and 2006

The change in fair value of securities for 2007 was a decrease of $6.6 million compared to a decrease of $17.3 million in 2006. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2007 compared to their fair value at September 30, 2006 due to current market conditions as required by GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* (GASB No. 31). The effect of the change from 2006 to 2007 is an increase over prior year of $10.7 million. Without the GASB No. 31 adjustment, operating income was substantially equivalent to prior year.

In 2007, the nonoperating revenues decreased by $11.3 million due to the Authority recognizing in 2006 $10.0 million of state appropriations as the administrator of the New Mexico Housing Trust Fund, and $2.0 million of nonoperating revenues are contributions pursuant to the Land Title Trust Fund of which the Authority is also the administrator. Both trust funds were enacted by the New Mexico State Legislature. Operating revenues increased $13.5 million from 2006 to 2007, primarily due to the difference in the GASB No. 31 adjustment as described above, plus increased loan interest. Without the GASB No. 31 adjustment, operating revenues were approximately $2.8 million more than the prior year, as the low interest rate environment continued to moderate, affecting interest revenue. Higher mortgage loan production increased mortgage interest revenue by approximately $3.9 million. However, as rates continued to rise, interest revenue from investment securities decreased over the prior year by approximately $1.5 million, due to the reduced volume of invested cash from prepayments.

Operating expenses increased by $2.9 million, primarily due to the $200.1 million increase in bonds payable discussed above, affecting the $1.7 million increase in interest expense. Loss on early redemption of bonds, which is included in program expenses, decreased by approximately $0.2 million due to decreased redemptions from prepayments in 2007.

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Debt Administration

During fiscal year 2008, the Authority issued $205.4 million of Single Family Program revenue bonds, $103.3 million less than the $308.7 million issued in 2007. The Authority redeemed $117.7 million of Single Family Program bonds due to prepayments, compared to $142.7 million in 2007. The Authority also issued $34.5 million of Draw Down facility bonds, for the purposes of preserving Cap as described above. All but $42.9 million of the new $205.4 million Single Family Program bonds issued in 2008 obtained Cap by refunding Draw Down facility bonds.

During fiscal year 2007, the Authority issued $308.7 million of Single Family Program revenue bonds, $69.2 million more than the $239.5 million issued in 2006. The Authority redeemed $142.7 million of Single Family Program bonds due to the high level of prepayments, compared to $190.4 million in 2006, and refunded $28.1 million of Single Family Program bonds. The Authority also issued $281.3 million of Draw Down facility bonds, for the purposes of preserving Cap as described above. All but $1.6 million of the new $308.7 million Single Family Program bonds issued in 2007 obtained Cap by refunding Draw Down facility bonds.

More detailed information about the Authority's outstanding debt obligations is presented in notes 5, 6, and 7 of the notes to the basic financial statements.

Economic Outlook

The Authority's Single Family Programs and investment income are the main sources of revenues. To date, the Authority's programs and investments have not been adversely affected by recent illiquidity of credit markets.

The Authority's Single Family Programs rely on short-term liquidity from the Master Servicers, which purchase the mortgage loans from the lenders, then securitize them into Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginne Mae) MBS. The underlying mortgage loans are all fixed-rate, 30-year loans meeting the criteria for purchase by Fannie Mae and Ginnie Mae. The MBS, which provide collateral for the Single Family Program bonds, are rated AAA, as are the bonds themselves. To date, the Master Servicers, Fannie Mae and Ginnie Mae, and the bond investors have been providing liquidity without interruption to the Authority's Single Family Programs. The programs also rely on Guaranteed Investment Contracts (GICs) for the temporary investment of bond proceeds and also for the ongoing investment of monthly MBS revenues between debt service dates. The GIC providers must maintain financial strength as evidenced by their credit rating in order for the bonds to maintain their AAA rating. Subsequent to the Authority's fiscal year-end, some GIC providers did not maintain their minimum required credit rating levels potentially jeopardizing the bonds ability to continue to be rated AAA. Therefore, some investments were moved to alternative providers and all bonds continue to be rated AAA.

The Authority's investments outside of the Single Family Programs are conservative, primarily including highly liquid and marketable Noncallable Treasury and Agency obligations, the AAA-rated New Mexico State Treasurer's Office Local Government Investment Pool, and for long-term investment, the nonrated State Investment Council Investment Funds Program utilizing a corporate investment grade bond fund (80%) and a large cap equities fund (20%). To date, the majority of the Authority's investments have performed within expected ranges. However, the investments in the State Investment Council Investment Funds Program have begun to experience losses as a result of the recent changes in the market conditions.

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Market interest rates have an effect on both the Single Family Programs and investment income revenues. If interest rates continue at current levels, the Authority expects single family and investment income to be stable or to decrease slightly. If interest rates rise, the Authority expects single family and investment income to increase as new loans are originated and new investments are purchased at the higher levels. If interest rates fall, the Authority expects single family and investment income to decrease as new loans are originated and new investments are purchased at the lower levels. The Authority also expects a drop in market rates to cause an increase in prepayments on higher rate mortgages, and conversely, an increase in market rates to cause a decrease in prepayments. The Authority uses these prepayments to call the corresponding series bonds.

This financial report is presented to provide our constituents and investors with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. If you have questions about the report or need additional financial information, please contact the Deputy Director of Finance and Administration or the Controller at New Mexico Mortgage Finance Authority, 344 4th St. SW, Albuquerque, NM 87102, or visit our website at www.housingnm.org.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Balance Sheets

September 30, 2008 and 2007

(In thousands)

Assets		**2008**	**2007**
Current assets:			
Cash and cash equivalents (note 2):			
Unrestricted	$	26,662	18,590
Restricted		144,324	14,421
Total cash and cash equivalents		170,986	33,011
Accrued interest receivable		6,818	7,899
Other current assets		1,374	1,143
Total current assets		179,178	42,053
Noncurrent assets:			
Restricted cash and cash equivalents (note 2)		103,967	491,202
Restricted investments and reserve funds (note 2):			
Restricted investments and reserve funds, net cost		11,749	13,531
Unrealized gain (loss) on restricted investments and reserve funds		55	(40)
Restricted investments and reserve funds, net		11,804	13,491
Unrestricted investments (note 2):			
Unrestricted investments, net cost		24,657	30,030
Unrealized gain (loss) on unrestricted investments		20	(93)
Unrestricted investments, net		24,677	29,937
Restricted note receivable		9,900	9,900
Restricted securitized mortgage loans, net (note 3):			
Securitized mortgage loans, net cost		1,071,342	858,230
Unrealized loss on securitized mortgage loans		(12,282)	(21,753)
Restricted securitized mortgage loans, net		1,059,060	836,477
Restricted mortgage loans, net (note 3)		147,519	146,978
Restricted trust funds mortgage loans, net (note 3)		6,041	2,361
Unrestricted mortgage loans, net (note 3)		59,904	56,596
Bond issuance costs, net		10,699	10,442
Capital assets (note 4)		1,817	2,027
Other noncurrent assets		178	162
Total noncurrent assets		1,435,566	1,599,573
Total assets	$	1,614,744	1,641,626

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NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Balance Sheets

September 30, 2008 and 2007

(In thousands)

Liabilities and Net Assets		**2008**	**2007**
Current liabilities:			
Accrued interest payable	$	14,519	12,965
Accounts payable and other accrued expenses (note 8)		5,927	2,875
Compensated absences		185	170
Current portion of bonds payable (notes 5 and 7)		142,383	12,465
Current portion of notes payable (notes 6 and 7)		558	534
Total current liabilities		163,572	29,009
Noncurrent liabilities (note 9):			
Bonds payable, net (notes 5 and 7)		1,299,569	1,478,570
Notes payable (notes 6 and 7)		3,140	3,700
Accrued arbitrage rebate		811	516
Other noncurrent liabilities		202	185
Total noncurrent liabilities		1,303,722	1,482,971
Total liabilities		1,467,294	1,511,980
Net assets:			
Invested in capital assets, net of related debt		(586)	(463)
Restricted for debt service		23,627	12,475
Restricted for land title trust and housing trust		17,250	13,720
Unrestricted (note 12)		107,159	103,914
Total net assets		147,450	129,646
Commitments and contingencies (note 13)			
Total liabilities and net assets	$	1,614,744	1,641,626

See accompanying notes to financial statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended September 30, 2008 and 2007

(In thousands)

		2008	2007
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	63,818	52,189
Interest on securities and investments		15,624	24,248
Net increase (decrease) in fair value of investments		9,678	(6,629)
Housing program income		1,389	1,334
Program servicing fees		387	327
Loan and commitment fees		1,583	1,706
Administrative fees and other revenues		754	2,358
Total operating revenues		93,233	75,533
Operating expenses:			
Interest expense		69,323	65,982
Amortization of bond issuance costs		1,564	1,741
Provision for loan losses		56	280
Administrative and other expenses		7,578	7,530
Total operating expenses		78,521	75,533
Operating gain		14,712	—
Nonoperating revenue (expense):			
Grant award income		37,002	38,382
Grant award expense		(37,002)	(38,382)
State general fund appropriation		3,000	—
Land title trust contributions		100	757
Land title trust grant distributions		(8)	—
Total nonoperating revenues		3,092	757
Change in net assets		17,804	757
Total net assets, beginning of year		129,646	128,889
Total net assets, end of year	$	147,450	129,646

See accompanying notes to financial statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Statements of Cash Flows

Years ended September 30, 2008 and 2007

(In thousands)

		2008	2007
Cash flows from operating activities:			
Purchase of loans	$	(19,171)	(36,086)
Receipts of loan repayments		11,726	11,731
Loan and commitment fees		3,191	2,496
Mortgage interest received		66,616	55,393
Purchase of securitized mortgage loans		(321,504)	(236,673)
Principal repayment of securitized mortgage loans		102,915	135,391
Receipts for services		6,319	3,208
Payments to employees for services		(4,906)	(4,484)
Payments to suppliers of goods or services		(2,085)	(2,625)
Other receipts		134	384
Net cash used in operating activities		(156,765)	(71,265)
Cash flows from noncapital financing activities:			
Proceeds from sale of bonds and notes payable		452,533	854,601
Repayment and refunding of bonds and notes payable		(497,850)	(653,997)
Payment of interest on bonds and notes		(71,867)	(67,178)
Payment of arbitrage rebate (net)		(837)	(2,047)
Payment for bond issuance costs		(1,818)	(2,716)
Receipt of grant award income		37,002	38,382
Payment of grant awards to subrecipients		(37,002)	(38,382)
State general fund appropriation		3,000	—
Contributions to land title trust		100	757
Land title trust grant distributions		(8)	—
Net cash provided by (used in) noncapital financing activities		(116,747)	129,420
Cash flows from capital financing activities:			
Purchases of capital assets		(45)	(99)
Proceeds from the sale of capital assets		2	54
Repayment of capital debt		(100)	(95)
Payment for interest on capital debt		(107)	(111)
Net cash used in capital financing activities		(250)	(251)
Cash flows from investing activities:			
Payments for operation and sale of foreclosed property		8	(16)
Purchase of investments		(16,441)	(998)
Proceeds from maturity and sale of investments		23,545	9,181
Investment interest income		17,390	23,426
Net cash provided by investing activities		24,502	31,593
Net increase (decrease) in cash and cash equivalents		(249,260)	89,497
Cash and cash equivalents, beginning of year		524,213	434,716
Cash and cash equivalents, end of year	$	274,953	524,213
Current cash and cash equivalents	$	170,986	33,011
Noncurrent cash and cash equivalents		103,967	491,202
Cash and cash equivalents, end of year	$	274,953	524,213

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Statements of Cash Flows

Years ended September 30, 2008 and 2007

(In thousands)

		2008	2007
Reconciliation of operating gain to net cash provided by (used in) operating activities:			
Operating gain	$	14,712	—
Adjustments to reconcile operating gain to net cash provided by (used in) operating activities:			
Net (increase) decrease in the fair value of investments		(9,678)	6,629
Amortization of bond issuance costs		1,564	1,741
Amortization of deferred commitment fees		(1,583)	(1,706)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums		3,726	3,828
Gain (loss) on sale of assets		265	(62)
Depreciation and amortization expense		264	283
Provision of loan losses		56	280
Investment interest income		(15,624)	(24,248)
Interest on bonds and notes payable		69,323	65,982
Changes in assets and liabilities:			
Accrued interest receivable on securitized mortgage loans and mortgage loans		(938)	(645)
Other current assets		(231)	(128)
Other noncurrent assets		(16)	(48)
Accounts payable and other accrued expenses		3,052	(83)
Compensated absences		15	17
Other noncurrent liabilities		17	35
Securitized mortgage loans, net cost		(214,385)	(98,992)
Mortgage loans		(7,304)	(24,148)
Net cash used in operating activities	$	(156,765)	(71,265)
Supplemental disclosure:			
Other real estate acquired through foreclosure	$	44	—

See accompanying notes to financial statements.

(1) Basis of Accounting and Summary of Significant Accounting Policies

(a) Reporting Entity

New Mexico Mortgage Finance Authority (the Authority) is a semi-autonomous instrumentality of the state of New Mexico (the State), created April 10, 1975 under the Mortgage Finance Authority Act (the Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State.

On September 19, 2007, the Authority established the not-for-profit legally separate entity of the New Mexico Affordable Housing Charitable Trust (the Trust) which was created to support the purpose and programs of the Authority. In 2008, the Trust was funded with $10,000 in cash, of which $8,000 was expended during the year. The Authority acting through its board of directors in accordance with the Act, is the Trustee. The Trust is determined to be a blended component unit as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 39*, Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14* (GASB No. 14).

For financial reporting purposes, the Authority is considered a discretely presented component unit of the state of New Mexico in accordance with GASB No. 14.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

(b) Basis of Presentation

The Authority presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34); GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, established the U.S. generally accepted accounting principles hierarchy for proprietary funds. The statement requires that proprietary activities apply all applicable GASB pronouncements. Under the provisions of that standard, the Authority has elected not to apply Statements on Financial Accounting Standards issued by the Financial Accounting Standards Board (FASB) after November 1989.

(c) Basis of Accounting

For financial purposes, the Authority is considered a special purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

(d) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Programs

The following describes the nature of the programs maintained by the Authority:

- Single Family Mortgage Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related mortgage loans for single-family, owner-occupied housing in New Mexico. Each single family bond indenture is accounted for as a segment. See note 18 for segment financial statements.
- Rental Housing Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related loans to qualified lenders for the purpose of financing multi-family rental housing facilities in New Mexico. Each multi-family bond indenture is accounted for as a segment. See note 18 for segment financial statements.
- General accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low and moderate income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners programs, Build It! Loan Guaranty program, and several down payment assistance programs.
- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:
  - *Low-Income Housing Tax Credit Program (LIHC)* – The LIHC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHC is a 10-year federal tax credit against a taxpayer's ordinary income tax liability that is available to individuals (directly or through partnerships) and corporations who acquire or develop and own qualified low-income rental housing.

– *HOME Investment Partnership Program (HOME)* – Congress created the HOME program as part of the National Affordable Housing Act of 1991. The Authority administers the federal funds to carry out program activities related to down payment assistance, homeowner and rental rehabilitation, and multi-family rental housing finance.

– *Section 8 Program* – The Section 8 program provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for very low-income families at rents they can afford.

– *The Weatherization Assistance Program (WAP)* – WAP is a long-term grant program funded by the U.S. Department of Energy, State of New Mexico General Fund, and private utility companies. The purpose of the program is to make low-income households more energy efficient, thereby reducing the utility bills of these families. The funds may be used for leakage reduction, incidental repairs, health and safety measures, insulation, and storm windows and doors.

– *The Low-Income Home Energy Assistance Program (LIHEAP)* – LIHEAP provides low-income households with a one-time cash benefit to help pay their utility bills. Up to 15% of the program grant, the only portion administered by the Authority, can be used for rehabilitation and can be combined with the WAP funds.

– *The Emergency Shelter Grants Program (ESG)* – ESG provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters, to help meet the costs of operating emergency shelters, and to provide certain essential social services to homeless individuals.

– *Housing Opportunities for Persons with AIDS (HOPWA)* – The HOPWA program is designed to provide states and localities with resources and incentives to devise long-term strategies for meeting the housing needs of persons with acquired immune deficiency syndrome (AIDS) or related diseases.

– *Community Development Block Grant (CDBG)* – The primary objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

– *Rural Housing and Economic Development (RHED) Program* – The purpose of the RHED program is to build capacity at the state and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas.

– *New Mexico Housing Trust Fund (HTF)* – The HTF purpose is to provide flexible funding for housing initiatives in order to produce significant additional housing investment in the state. The fund consists of all distributions and appropriations made to the fund. Earnings of the fund shall be credited to the fund, and unexpended and unencumbered balances in the fund shall not revert to any other fund. The Authority is the trustee for the fund. The fund receives revenue from the following recurring sources: 1) appropriations and transfers from the state of New Mexico general fund; 2) any other money appropriated or distributed to the fund; or 3) any private contributions to the fund. Money in the fund is appropriated to the Authority for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act, which are to provide affordable residential housing to persons of low or moderate income.

– *Land Title Trust Fund (LTTF)* – Pursuant to the Land Title Trust Fund Act, depository institutions that maintain trust or escrow accounts for customers may establish and make available pooled interest bearing transaction accounts for title company escrows. The interest earned from this program is forwarded to the LTTF. The account agreement between the depositor and the financial institution shall expressly provide for the required remittance or interest. The Authority is trustee for the fund. The trustee shall deposit in the fund money received by it pursuant to the Low Income Housing Trust Act and the Land Title Trust Fund Act and use funds to finance in whole or part any loans or grant projects that will provide housing for low income persons or for other uses specified in the Act.

(f) Cash and Cash Equivalents

Certain cash, cash equivalents, and investments are designated by the board of directors of the Authority for specific purposes (note 12). For purposes of the statements of cash flows, the Authority considers all cash on hand and in banks and all highly liquid securities and investments purchased with an original maturity of three months or less held in accounts used primarily for the payment of debt service to be cash equivalents.

Restricted cash and cash equivalents include fixed-rate investment agreements, which represent funds invested in unsecured nonparticipating contracts with financial institutions, and are valued at the contract amounts. Such investments are considered highly liquid with an original maturity of three months or less held in accounts which are used primarily for the payment of debt service. Accordingly, such investments are treated as cash equivalents.

(g) Unrestricted and Restricted Investments

Unrestricted and restricted investments include U.S. government obligations, obligations of government-sponsored entities, and amounts in investment pools of the New Mexico State Investment Council. These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statement of revenues, expenses, and changes in net assets as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31).

(h) Securitized Mortgage Loans

Securitized mortgage loans consist primarily of Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) mortgage-backed securities (MBSs), which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value and changes in the fair value are reported as revenue in the statement of revenues, expenses, and changes in net assets as net increase (decrease) in fair value of investments, in accordance with GASB No. 31. The bond issue trustees use a third-party pricing service to compute the MBS fair value.

(i) Restricted Note Receivable

The Rental Housing Programs' note receivable is a security relating to the issuance of Multi-Family Housing Revenue Bonds 1987 Series A and B. The funds from the issuances were used as financing for multi-family residential rental projects for low and moderate income persons and families in the state. The note receivable is due in 2011.

(j) Mortgage Loans

Mortgage loans receivable are carried at the unpaid principal balance outstanding less an allowance for estimated loan losses. Mortgage loans are secured by first liens on the related properties, with the exception of down payment and closing cost assistance (DPA) loans. Mortgage loans purchased by the Authority are required to be insured by the Federal Housing Administration (FHA) or private mortgage insurance, or guaranteed by the Veterans' Administration (VA). Conventional loans with a loan-to-value ratio of 80% or less do not require insurance. These policies insure, subject to certain conditions, mortgage loans against losses not otherwise insured, generally for specified percentages of the principal balance due plus accrued interest and other expenses sustained in preservation of the property.

For qualifying borrowers in the Single Family Mortgage Programs, the Authority offers loans to provide DPA. DPA loans are secured by second liens. Additionally, included in mortgage loans as of September 30, 2008 and 2007, were $6.9 million of loans to borrowers of certain nonprofit organizations which are subject to reimbursement provisions in lieu of insurance.

(k) Allowance for Mortgage Loan Losses

Losses incurred on mortgage loans are charged to the allowance for mortgage loan losses. The provision for loan losses is charged to expense when, in management's opinion, the realization of all or a portion of the loans or properties owned is doubtful.

In evaluating the provision for loan losses, management considers the age of the various loan portfolios, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims, and economic conditions.

Management of the Authority believes that the allowance for mortgage loan losses is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

(l) Interest on Mortgage Loans

Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately $59,000 and $73,000 as of September 30, 2008 and 2007, respectively. Mortgage loans continue to accrue interest through foreclosure since loans are insured, and interest is collected through insurance proceeds.

(m) Origination and Commitment Fees

Origination and commitment fees, net of costs, represent compensation received for designating funds for lenders. The Authority defers and amortizes these net fees over the related securitized mortgage loans' and mortgage loans' contractual life, adjusted for prepayments, into interest income using a method that approximates the effective-interest method.

(n) Bond Issuance Costs

Bond issuance costs, discounts, and premiums are amortized over the term of the obligations using a method that approximates the effective-interest method. Early redemptions of bonds result in the proportionate amortization of the balance of bond issuance costs.

(o) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line or the sum-of-the-years' digits methods over the estimated useful lives of the assets which range from 1 to 25 years. Depreciation expense is not computed on assets under construction until the asset is put into service. Furniture and equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred. Furniture, equipment, and software purchased with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated.

(p) Accrued Arbitrage Rebate

Earnings on certain investments are subject to the arbitrage rebate requirements of the Internal Revenue Code. Accrued arbitrage rebate represents the estimated excess earnings on these investments that must be rebated to the U.S. Treasury Department.

Arbitrage rebate amounts that are the result of investment yields are recorded as a reduction of interest income. Arbitrage rebate amounts that result from gains on sales of investment securities are recorded as a reduction to the net increase (decrease) in the fair value of investments.

(q) Deferred Revenue

Deferred revenue consists primarily of advances from contracts and grants. Revenues are recognized when all applicable eligibility requirements have been met. Deferred revenue is reflected in other current liabilities in the accompanying balance sheets.

(Continued)

(r) Compensated Absences

Qualified Authority employees are entitled to accrue vacation leave and sick leave based on their full-time equivalent status.

Vacation Leave

Full-time equivalent employees are eligible to accrue vacation leave based on their length of employment up to a maximum of 280 hours. At September 30 of each year, any accumulated hours in excess of 280 not taken are forfeited. Accrued vacation leave will be paid to an employee upon termination only after six moths of employment. Accrued vacation leave is computed by multiplying each employee's current hourly rate by the number or hours accrued.

Sick Leave

Full-time equivalent employees are eligible to accrue four hours of sick leave each pay period (13 days/year). Accrued sick leave may be carried over to the next fiscal year. Full-time employees may be paid in cash for accrued sick leave in excess of 400 hours (120 hour maximum) on the first full pay period in January and/or July. The hours will be paid at a rate equal to 50% of the employee's hourly wage. Unused sick leave will not be paid to an employee upon termination. Accrued sick leave is computed by multiplying 50% of each employee's hourly rate by the number of hours accrued in excess of 400.

(s) Net Assets

Net assets are classified as follows:

Invested in capital assets, net of related debt represents the Authority's total investment in capital assets, net of outstanding debt related to those capital assets.

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. The Authority is legally or contractually obligated to spend these funds in accordance with the restrictions imposed by third parties.

Unrestricted net assets consist of those operating funds over which the board of directors retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

(Continued)

(t) Revenues and Expenses

Revenues are classified as operating or nonoperating according to the following criteria:

Operating revenues include activities that have the characteristics of an exchange transaction as well as those that relate directly to programs to assist in the financing of housing for persons of low and moderate income in the state of New Mexico such as a) loan origination and commitment fees; b) program servicing fees; and c) grant administration fees. Operating revenues also include interest income since lending activities constitute the Authority's principal ongoing operations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as grant award revenues. These revenue streams are recognized under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33). Revenues are recognized when all applicable eligibility requirements have been met, specifically when expenditures related to the grant awards have been incurred, submitted, and approved for payment.

Expenses are classified as operating or nonoperating according to the following criteria:

Operating expenses include activities that have the characteristics of an exchange transaction such as a) employee salaries, benefits, and related expense; b) utilities, supplies, and other services; c) professional fees; and d) depreciation expenses related to capital assets. Operating expenses also include interest expense on bonds issued to finance housing programs since lending activities constitute the Authority's principal ongoing operations.

Nonoperating expenses include activities that have the characteristics of nonexchange transactions such as grant award expenses, which are defined as nonoperating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* (GASB No. 9), and GASB Statement No. 34.

(u) Income Taxes

The income the Authority earns in the exercise of its essential government functions is excluded from federal income tax under Section 115(1) of the Internal Revenue Code. The Trust is exempt from federal income tax under Section 501c (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(Continued)

(2) Cash, Cash Equivalents, and Investments

(a) As of September 30, the carrying value of cash and cash equivalents include the following (in thousands):

		2008	2007
Cash	$	17,263	14,957
Cash equivalents not considered deposits:			
Money market accounts		10	—
Money market funds		18,888	29,040
Repurchase agreements		11,330	5,590
Guaranteed investment contracts		227,462	474,626
	$	274,953	524,213

(b) Investment Policy

The Authority's investment policy requires all investments be made in accordance with the prudent investor rule with a primary objective to preserve capital and secondarily to achieve the highest market yield. Investments will be diversified to the extent permitted in Section 58, NMSA 1978 (MFA Act), and Section 6-8-7, NMSA 1978 and as prescribed in its various bond resolutions and trust indentures.

Investments may be made in any investment instrument acceptable under and/or required by any bond resolution or indenture; in obligations of any municipality of New Mexico or the state of New Mexico or the United States of America, rated "AA" or better; in obligations guaranteed by the state of New Mexico or the United States of America; in obligations of any corporation wholly owned by the United States of America; in obligations of any corporation sponsored by the United States of America, which are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System; in certificates of deposit or time deposits in banks qualified to do business in New Mexico; as otherwise provided in any trust indenture securing the issuance of the Authority's bonds; in the state of New Mexico Office of the Treasurer Local Short Term Investment Fund; or in the state of New Mexico State Investment Council Investment Funds Program.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. At the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The end of the fiscal year weighted average maturity (interest rate risk in number days) is available on the State Treasurer's website at www.stonm.org. Participation in the local government pool is voluntary.

(c) Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2008 and 2007, the Authority's bank balance was $17,248,000 and $14,957,000. Of this amount at September 30, 2008 and 2007, $110,000 and $200,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2008 and 2007 are $17,138,000 and $14,757,000, respectively, which consists of $17,063,000 and $14,754,000 collateralized by collateral held by the bank but not in the Authority's name, and $75,000 and $3,000 was uninsured and uncollateralized.

All of the Authority's investments are insured, registered, or are held by the Authority or its agent in the Authority's name.

The Authority administers public funds for the State Homeless, Innovation in Housing Awards, and Weatherization Programs. As required by state law, the Authority obtains from each bank that is a depository for public funds of which are in repurchase agreements, to pledged collateral in an aggregate amount at least equal to 102% of the public money in each account. No security is required for the deposit of public money that is insured by the FDIC. As of September 30, 2008 and 2007, the Authority had $2,432,000 and $343,000, respectively, of public funds on deposit which are fully collateralized by collateral held by the bank in the Authority's name.

(d) Investment Interest and Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations, and 4) diversification to avoid overweighting in any one type of security.

The Authority's securitized mortgage loans are primarily mortgage loans originated under various bond resolutions which have been pooled and securitized by a servicer under contract to the Authority (note 1(h)). Upon securitization, these primarily GNMA and FNMA securities are then purchased by the bond issue trustee utilizing the proceeds of the respective bonds. The bonds in turn are secured respectively by the securities purchased with the bond proceeds (note 5). The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of the underlying mortgages.

The Authority had the following investments and maturities at September 30, 2008 and 2007 (in thousands):

	September 30, 2008					
		Investment maturities (in years)				
Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10	Not available
Money market funds	$ 18,888	18,888	—	—	—	—
Money market account	10	10	—	—	—	—
Repurchase agreements	11,330	11,330	—	—	—	—
Guaranteed investment contracts	227,462	222,782	2,074	—	2,606	—
Internal state investment pools:						
State Treasurer	17,006	17,006	—	—	—	—
State Investment Council	22,370	—	—	—	—	22,370
U.S. agencies	11,098	7,008	4,090	—	—	—
Securitized mortgage loans	1,059,060	—	—	3,865	1,055,195	—
	$ 1,367,224	277,024	6,164	3,865	1,057,801	22,370

	September 30, 2007					
		Investment maturities (in years)				
Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10	Not available
Money market funds	$ 29,040	29,040	—	—	—	—
Repurchase agreements	5,590	5,590	—	—	—	—
Guaranteed investment contracts	474,626	459,989	8,940	—	5,697	—
Internal state investment pools:						
State Treasurer	14,653	14,653	—	—	—	—
State Investment Council	23,625	—	—	—	—	23,625
U.S. agencies	15,855	7,948	7,907	—	—	—
Securitized mortgage loans	836,477	—	—	226	836,251	—
	$ 1,399,866	517,220	16,847	226	841,948	23,625

The following table provides information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2008 and 2007 (in thousands):

	September 30, 2008							
Investment type	Fair value	AAA	AA	A	BBB	U.S. government guaranteed	NR	Not available
Money market funds	$ 18,888	—	—	—	—	—	18,888	—
Money market account	10	—	—	—	—	—	10	—
Repurchase agreements	11,330	—	—	—	—	—	11,330	—
Guaranteed investment contracts	227,462	129,058	88,766	7,503	—	—	2,135	—
Internal state investment pools:								
State Treasurer	17,006	17,006	—	—	—	—	—	—
State Investment Council	22,370	—	—	—	—	—	—	22,370
U.S. agencies	11,098	11,098	—	—	—	—	—	—
Securitized mortgage loans	1,059,060	392,124	—	—	—	666,936	—	—
	$ 1,367,224	549,286	88,766	7,503	—	666,936	32,363	22,370

	September 30, 2007							
Investment type	Fair value	AAA	AA	A	BBB	U.S. government guaranteed	NR	Not available
Money market funds	$ 29,040	—	—	—	—	—	29,040	—
Repurchase agreements	5,590	—	—	—	—	—	5,590	—
Guaranteed investment contracts	474,626	3,161	438,761	30,592	292	—	1,820	—
Internal state investment pools:								
State Treasurer	14,653	14,653	—	—	—	—	—	—
State Investment Council	23,625	—	—	—	—	—	—	23,625
U.S. agencies	15,855	7,933	7,922	—	—	—	—	—
Securitized mortgage loans	836,477	—	236,770	—	—	599,707	—	—
	$ 1,399,866	25,747	683,453	30,592	292	599,707	36,450	23,625

(e) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the Authority's total investments reported on the balance sheets as of September 30, 2008 and 2007, respectively: GNMA 61% and 68% and FNMA 36% and 27%.

(3) Mortgage Loans

Mortgage loans reflected in the balance sheet consist of the following as of September 30 (in thousands):

		2008	2007
Total mortgage loan principal outstanding	$	216,291	208,629
Less:			
Allowance for mortgage loan losses		(918)	(726)
Deferred origination and commitment fees		(1,909)	(1,968)
Mortgage loans, net	$	213,464	205,935

An analysis of the allowance for mortgage loan losses is as follows as of September 30 (in thousands):

		2008	2007
Beginning balance	$	726	462
Provision for loan losses		56	280
Loans (written off) recoveries, net		136	(16)
Ending balance	$	918	726

The mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

Rental Housing Programs	3.00% to 7.00%
Other mortgage loans	0.00% to 12.12%
Second mortgage DPA loans	0.00% to 7.50%

MBSs have stated interest rates ranging from 4.34% to 9.365%. At September 30, 2008 and 2007, deferred commitment fees of $9,581,000 and $7,914,000, respectively, have been netted with securitized mortgage loans, which are ultimately recorded at estimated fair value.

As of September 30, 2008 and 2007, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $153,000 and $65,000, respectively. As of September 30, 2008 and 2007, mortgage loans' total delinquent aggregate principal balances are approximately $5,061,000 and $4,673,000, respectively.

As of September 30, the Authority acts as servicer for loans owned by the following entities (in thousands):

		2008	2007
Neighborhood Housing Services of Albuquerque	$	760	2,318
State of New Mexico Severance Tax Permanent Fund		61	69
State Investment Council		2	4
Isleta Pueblo		1,515	1,569
AFL-CIO		3,108	3,132
Federal National Mortgage Association (FNMA) Loans		18,951	19,079
Habitat for Humanity/Valencia County		83	88
Government National Mortgage Association (GNMA) Loans		2,036	—
Southwest Community Resources		35	—
	$	26,551	26,259

(4) Capital Assets

Changes in capital assets during 2008 and 2007 were as follows (in thousands):

		October 1, 2007	Additions	Dispositions	September 30, 2008
Land (nondepreciable)	$	512	—	—	512
Building and improvements		3,041	—	—	3,041
Furniture and equipment		1,399	45	(54)	1,390
Total capital assets		4,952	45	(54)	4,943
Less accumulated depreciation:					
Building and improvements		(1,858)	(123)	—	(1,981)
Furniture and equipment		(1,067)	(130)	52	(1,145)
Total accumulated depreciation		(2,925)	(253)	52	(3,126)
Capital assets, net	$	2,027	(208)	(2)	1,817

		October 1, 2006	Additions	Dispositions	September 30, 2007
Land (nondepreciable)	$	512	—	—	512
Building and improvements		3,041	—	—	3,041
Furniture and equipment		1,588	99	(288)	1,399
Total capital assets		5,141	99	(288)	4,952
Less accumulated depreciation:					
Building and improvements		(1,728)	(130)	—	(1,858)
Furniture and equipment		(1,153)	(148)	234	(1,067)
Total accumulated depreciation		(2,881)	(278)	234	(2,925)
Capital assets, net	$	2,260	(179)	(54)	2,027

(5) Bonds Payable

Bonds payable at September 30 are as follows (in thousands):

Single Family Mortgage Programs		2008	2007
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	$	785	885
1994 Series B – 6.75% interest payable semiannually, principal due through 2025		750	1,070
1994 Series C – 6.50% interest payable semiannually, principal due through 2025		765	925
1994 Series D – 6.80% interest payable semiannually, principal due through 2026		830	1,015
1994 Series E – 6.95% interest payable semiannually, principal due through 2026		1,050	1,365
1994 Series F – 7.00% interest payable semiannually, principal due through 2026		—	525
1997 Series G – 4.90% to 5.40% interest payable semiannually, principal due through 2029		4,605	6,205
1998 Series A – 4.95% to 6.00% interest payable semiannually, principal due through 2029		6,625	8,310
1998 Series B – 5.10% to 6.10% interest payable semiannually, principal due through 2030		4,200	5,290
1998 Series C – 4.90% to 6.00% interest payable semiannually, principal due through 2029		5,845	7,295
1998 Series D – 4.95% to 6.00% interest payable semiannually, principal due through 2030		5,790	7,175
1998 Series E – 4.70% to 6.25% interest payable semiannually, principal due through 2030		6,115	7,865
1999 Series A – 4.60% to 6.25% interest payable semiannually, principal due through 2030		6,970	8,220
1999 Series B – 4.65% to 6.25% interest payable semiannually, principal due through 2030		8,420	10,150
1999 Series C – 5.13% interest payable semiannually, principal due through 2029		1,548	1,758
1999 Series D – 5.30% to 6.75% interest payable semiannually, principal due through 2030		4,362	5,495
1999 Series E – 5.30% to 6.80% interest payable semiannually, principal due through 2031		6,315	7,230
1999 Series F – 5.30% to 6.80% interest payable semiannually, principal due through 2031		4,355	5,090
2000 Series A – 5.65% to 7.76% interest payable semiannually, principal due through 2031		3,305	4,180

Single Family Mortgage Programs		2008	2007
2000 Series B – 5.50% to 7.00% interest payable semiannually, principal due through 2032	$	3,440	3,980
2000 Series C – 5.55% to 6.95% interest payable semiannually, principal due through 2032		2,825	3,265
2000 Series D – 5.00% to 8.34% interest payable semiannually, principal due through 2032		4,165	5,085
2000 Series E – 5.40% to 6.55% interest payable semiannually, principal due through 2032		5,525	6,970
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018		136	195
2001 Series A – 4.60% to 5.85% interest payable semiannually, principal due through 2032		7,370	8,480
2001 Series B – 4.75% to 6.20% interest payable semiannually, principal due through 2033		7,070	8,010
2001 Series C – 4.60% to 6.25% interest payable semiannually, principal due through 2033		6,275	7,820
2001 Series D – 3.95% to 5.75% interest payable semiannually, principal due through 2033		7,380	9,050
2002 Series A – 4.45% to 6.45% interest payable semiannually, principal due through 2033		5,890	7,255
2002 Series B – 4.05% to 6.35% interest payable semiannually, principal due through 2033		8,430	9,670
2002 Series C – 4.30% to 5.82% interest payable semiannually, principal due through 2034		8,655	10,300
2002 Series D – 3.70% to 5.64% interest payable semiannually, principal due through 2034		7,565	9,215
2002 Series E – 3.40% to 5.43% interest payable semiannually, principal due through 2034		9,360	10,830
2002 Series F – 3.35% to 5.53% interest payable semiannually, principal due through 2034		8,650	10,335
2003 Series A – 3.10% to 5.25% interest payable semiannually, principal due through 2034		9,840	12,085
2003 Series B – 3.15% to 5.45% interest payable semiannually, principal due through 2034		10,280	13,000
2003 Series C – 2.75% to 4.70% interest payable semiannually, principal due through 2034		13,965	16,125
2003 Series D – 3.70% to 6.125% interest payable semiannually, principal due through 2034		11,365	13,800
2003 Series E – 3.10% to 5.89% interest payable semiannually, principal due through 2034		13,345	17,040
2004 Series A – 2.60% to 5.29% interest payable semiannually, principal due through 2034		14,000	16,100

Single Family Mortgage Programs		2008	2007
2004 Series B – 2.70% to 4.75% interest payable semiannually, principal due through 2035	$	14,885	18,960
2004 Series C – 3.55% to 5.65% interest payable semiannually, principal due through 2035		16,490	19,770
2004 Series D – 3.75% to 6.15% interest payable semiannually, principal due through 2035		18,710	22,485
2004 Series E – 3.20% to 5.50% interest payable semiannually, principal due through 2035		18,110	21,765
2005 Series A – 3.00% to 5.50% interest payable semiannually, principal due through 2036		20,350	23,710
2005 Series B – 3.65% to 6.10% interest payable semiannually, principal due through 2036		21,075	25,095
2005 Series C – 3.50% to 5.85% interest payable semiannually, principal due through 2037		19,375	23,525
2005 Series D – 3.65% to 5.85% interest payable semiannually, principal due through 2037		27,965	32,695
2006 Series A – 3.70% to 5.95% interest payable semiannually, principal due through 2037		39,435	46,450
2006 Series B – 3.65% to 5.90% interest payable semiannually, principal due through 2037		31,330	34,160
2006 Series C – 3.70% to 6.15% interest payable semiannually, principal due through 2037		46,790	53,875
2006 Series D – 3.90% to 6.00% interest payable semiannually, principal due through 2037		41,490	44,375
2006 Series E – 4.00% to 6.05% interest payable semiannually, principal due through 2038		41,395	44,795
2006 Series F – 3.80% to 5.60% interest payable semiannually, principal due through 2038		57,195	60,000
2007 Series A – 3.80% to 5.75% interest payable semiannually, principal due through 2038		48,370	50,000
2007 Series B – 3.55% to 6.00% interest payable semiannually, principal due through 2039		87,535	94,755
2007 Series C – 4.625% to 5.92% interest payable semiannually, principal due through 2039		59,205	60,000
2007 Series D – 4.50% to 6.27% interest payable semiannually, principal due through 2039		69,515	70,000
2007 Draw Down Issue – Variable interest rate equal to LIBOR payable monthly, mandatory tender July 1, 2010**		—	254,611
2007 Series E – 4.61% to 6.35% interest payable semiannually, principal due through 2039		60,000	—

(Continued)

Single Family Mortgage Programs		2008	2007
2008 Series A – 2.40% to 5.60% interest payable semiannually, principal due through 2039	$	55,620	—
2008 Draw Down Issue – variable interest rate*** (2.49% at September 30, 2008) payable monthly mandatory tender April 1, 2009		126,608	—
2008 Series B – 3.375% to 6.375% interest payable semiannually, principal due through 2039		33,980	—
2008 Series C – 3.80% to 6.95% interest payable semiannually, principal due through 2039		50,395	—
Subtotal		1,243,989	1,289,684
Unaccreted premium, net of underwriters' discount		27,771	26,281
Subtotal Single Family Mortgage Programs, net bonds payable	$	1,271,760	1,315,965

** Equal to the Securities Industry and Financial Markets Municipal Swap Index for tax-exempt weekly variable rate demand bonds plus 0.65%, provided, however that such interest rate on the bonds shall not be less than 90% of the taxable interest rate or more than 100% of the taxable interest rate. The taxable interest rate is the per annum rate for deposits in U.S dollars for one month which appears on the British Bankers Asociations (BBA) Official LIBOR Fixings Page as of 11:00 a.m. London, England time on the rate setting date.

*** Equal to 100% of the taxable interest rate. The taxable interest rate is the per annum rate for deposits in U.S. dollars for one month which appears on the BBA Official LIBOR Fixings Page as of 11:00 a.m. London, England time on the rate setting date.

Rental Housing Mortgage Programs		2008	2007
1987 Series A&B – 7.25% interest payable semiannually, principal due 2011	$	9,900	9,900
1997 Multi Family Risk Sharing – Las Brisas – 6.45% interest payable monthly, principal due through 2032 – Refunded		—	3,230
1997 Multi Family Housing Revenue – Rio Volcan II – 5.10% to 5.65% interest payable monthly, principal due through 2018		3,615	3,700
1998 Series A&B Multi Family Housing Revenue – The Bluffs at Tierra Contenta – 5.20% to 6.03% interest payable semiannually, principal due through 2031		8,355	8,545
2001 Multi Family Housing Refunding Revenue:			
Series A – 5.00% interest payable semiannually, principal due through 2031		2,755	2,755
Series B – 5.00% interest payable semiannually, principal due through 2031		7,565	7,565

Rental Housing Mortgage Programs		**2008**	**2007**
Series C – 5.00% interest payable semiannually, principal due through 2031	$	5,910	5,910
Series D – 5.00% interest payable semiannually, principal due through 2031		2,785	2,785
2001 Series E&F Multi Family Housing Revenue – Manzano Mesa – 5.55% to 7.05% interest payable semiannually, principal due through 2034		9,575	9,695
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038		9,615	9,725
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038		9,130	9,250
2004 Series A&B Multi Family Risk Sharing – NM5 – 4.625% to 5.20% interest payable semiannually, principal due through 2039		9,555	9,775
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039		12,260	12,395
2004 Series E Multi Family Housing Revenue – Lafayette – 6.50% interest payable monthly, principal due through 2037		7,387	7,455
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040		10,990	11,115
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 5.68% interest payable semiannually, principal due through 2040		11,760	11,890
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.16% to 4.70% interest payable semiannually, principal due through 2040		4,110	4,150
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040		12,980	13,130
2006 A Multi Family Risk Sharing – Sunset View – 4.25% to 4.70% interest payable, semiannually, principal due through 2045		9,230	9,230
2007 A & B Multi-Family Risk Sharing – St. Anthony – 5.05% to 5.60% interest payable semiannually, principal due through 2042		5,930	5,975

Rental Housing Mortgage Programs	2008	2007
2007 C & D Multi-Family Risk Sharing – NM Rainbow – 5.85% to 10.00% interest payable semiannually, principal due through 2043	$ 14,060	14,060
Subtotal	167,467	172,235
Unaccreted premium	321	344
Subtotal Rental Housing Mortgage Programs, net bonds payable	167,788	172,579
Capital debt		
2005 General Revenue Office Building Refunding Bonds – 3.50% to 4.375% interest payable semiannually, principal due through 2026	2,545	2,645
Unamortized discount	(141)	(155)
Subtotal net capital bonds payable	2,404	2,490
Total bonds payable	1,414,001	1,464,564
Total unaccreted premium, net of unamortized discount	27,951	26,470
Total bonds payable, net	$ 1,441,952	1,491,034

In November 2005, the Authority began issuing bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBS, and other assets in the accounts established under the General Indenture and each Series Indenture.

Prior to November 2005, the Authority issued bonds under separate Trust Indentures. The bonds are secured as described in each Trust Indenture by the revenues, moneys, investments, mortgage loans, MBS, and other assets in the accounts established by each respective Trust Indenture.

In April 2008, the Authority authorized the $425,000,000 Single Family Mortgage Program bonds, Draw Down Issue 2008. It is anticipated that these bonds will be refunded by bonds issued under the General Indenture, the proceeds of which will be used to purchase securitized mortgage loans under the respective amended and supplemented Series Indentures. Cumulative draw downs were $209,734,000 through fiscal year ended September 30, 2008.

As of September 30, 2008, $126,609,000 of proceeds from the bond issue is outstanding and, accordingly, reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par bearing variable interest equal to 100% of the taxable interest rate. The taxable interest rate is the per annum rate for deposits in U.S. dollars for one month which appears on the BBA Official LIBOR Fixings Page as of 11:00 a.m. London, England time on the rate setting date, provided, however, that such interest rate on the Bonds shall not exceed the maximum rate. The maximum rate is the per annum rate of interest borne by the Investment Agreement. The Investment Agreement bears a rate per annum equal to the 1-month LIBOR specified on the BBA Official LIBOR Fixings Page as of 11:00 a.m. London, England time on the applicable day of determination plus 0.055%. On September 30, 2008, the interest rate on Draw Down Issue 2008 was 2.49%. Due to the short-term nature of the Draw Down Issue 2008, there is no economic gain or loss from refundings on this issue.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2008 and 2007 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

Certain Mortgage Purchase Program bonds were legally defeased in 2005 and 1992 and, therefore, are not reflected on the accompanying balance sheets. The outstanding balance of these bonds totaled approximately $38,115,000 at September 30, 2008 and $38,195,000 at September 30, 2007, respectively. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments mortgage loans, MBSs and other assets in the accounts established by the respective bond resolutions.

(6) Notes Payable

Notes payable at September 30, 2008 and 2007 consist of the following (in thousands):

	2008	2007
February 2001 Master note and purchase agreement with the Federal National Mortgage Association. The note accrues interest at 6.50% and matures in March 2012.	$ 2	5
August 2003 Federal Home Loan Bank of Dallas note bearing interest at 4.32%. The note matures through 2010 in monthly installments of principal and interest with a balloon payment at maturity.	3,046	3,579
July 2005 Wells Fargo note bearing interest at 2.00% through August 2016 and thereafter the greater of 6.00% or the U.S. Treasury rate minus 3.50% until the loan is fully paid.	650	650
	$ 3,698	4,234

The August 2003 Federal Home Loan Bank borrowing was made to fully refund bonds from the Single Family Mortgage Program Senior Bonds, 1991 Series A Issue.

The July 2005 Wells Fargo borrowing was made to raise capital to help fund the Primero Loan Program that provides loans for nonprofit, public, or tribal agency sponsored affordable projects.

(7) Debt Service Requirements

A summary of bond and note debt service requirements as of September 30, 2008 follows (in thousands):

	Bonds payable		Notes payable	
	Interest	**Principal**	**Interest**	**Principal**
Year ending September 30:				
2009	$ 68,818	142,383	134	558
2010	67,928	17,585	109	2,488
2011	67,061	28,557	13	—
2012	65,402	19,770	13	2
2013	64,381	21,077	26	—
2014 – 2018	303,784	127,905	28	650
2019 – 2023	264,466	170,222	—	—
2024 – 2028	209,164	284,313	—	—
2029 – 2033	125,833	317,620	—	—
2034 – 2038	45,144	254,915	—	—
2039 – 2043	2,638	28,209	—	—
2044 – 2047	76	1,445	—	—
	1,284,695	1,414,001	323	3,698
Net unaccreted premium	—	27,951	—	—
	$ 1,284,695	1,441,952	323	3,698

(8) Accounts Payable and Accrued Expenses

At September 30, accounts payable and accrued expenses consist of the following:

	2008	**2007**
Vendor	$ 2,842	2,486
Employee benefits	280	316
Deferred revenue	2,805	73
	$ 5,927	2,875

(9) Noncurrent Liabilities and Compensated Absences

A summary of noncurrent liability and compensated absence activity for the year ended September 30, 2008 and 2007 follows (in thousands):

	October 1, 2007	Increases	Decreases	September 30, 2008	Current portion
Bonds payable, net	$ 1,491,035	439,158	(488,241)	1,441,952	142,383
Note payable	4,234	13,375	(13,911)	3,698	558
Accrued arbitrage rebate	516	1,196	(901)	811	—
Other noncurrent liabilities	185	17	—	202	—
Compensated absences	170	214	(199)	185	185
	$ 1,496,140	453,960	(503,252)	1,446,848	143,126

	October 1, 2006	Increases	Decreases	September 30, 2007	Current portion
Bonds payable, net	$ 1,290,949	853,981	(653,895)	1,491,035	12,465
Note payable	7,880	620	(4,266)	4,234	534
Accrued arbitrage rebate	849	1,782	(2,115)	516	—
Other noncurrent liabilities	150	35	—	185	—
Compensated absences	153	195	(178)	170	170
	$ 1,299,981	856,613	(660,454)	1,496,140	13,169

(10) Litigation

The Authority is involved in litigation arising in the ordinary course of business. Management believes the ultimate outcome of any litigation will not result in a material adverse impact on the Authority's financial statements.

(11) Employee Benefit Plan

The Authority sponsors the New Mexico Mortgage Finance Authority 401(k) Plan (Benefit Plan). The Benefit Plan is a defined contribution 401(k) and 457(b) plan, which covers substantially all of the Authority's employees. Participating employees may make voluntary contributions of not less than 3% of the participating employee's annual salary. If the employee makes the minimum 3% voluntary employee contribution, the Authority will make a matching contribution equal to 5% of the participating employee's salary. In addition to the matching contribution, the Authority makes a fixed annual contribution equal to 11% of each participating employee's salary regardless of whether or not the participant makes a voluntary contribution. Plan participants become fully vested in the Authority's contributions after five years of service. The Authority's and employees' contributions to the Benefit Plan were approximately $536,000 and $212,000, respectively, for the year ended September 30, 2008. The Authority's and employees' contributions to the Benefit Plan were approximately $482,000 and $195,000, respectively, for the year ended September 30, 2007. The Executive Director, Director of Human Resources, and Controller have the authority to amend the plans.

(12) Board Designated Net Assets

The board of directors of the Authority have the discretion to reverse any board designated net assets. The board of directors of the Authority designated the following amounts as of September 30, 2008 and 2007 (in thousands):

		2008	2007
Single Family and Multi-Family Programs as designated by the board	$	13,107	8,668
Future general operating budget, year-end September 30, 2009		8,575	8,409
Housing Opportunity Fund		68,953	70,328
Risk sharing loss exposure		12,271	12,908
Federal and state housing programs administered by the Authority		4,253	3,601
Total board designated net assets	$	107,159	103,914

(13) Commitments and Contingencies

The Authority entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development under Section 542(c) of the Housing and Community Development Act of 1992, whereby the Authority will assume a 10% risk of loss in the event of default on specific loans. As of September 30, 2008 and 2007, the Authority is committed to assume a risk of approximately $12,268,000 and $12,911,000 for 39 and 38 loans closed, respectively. These loans are considered in the Authority's assessment for the allowance for mortgage loan losses.

The Authority also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority as of September 30, 2008. As of September 30, 2008 and 2007, the Authority is committed to assume a risk of approximately $127,000 and $128,000 for the one loan closed, respectively.

The Authority participates in a number of federal financial assistance programs. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies has not been determined at this time, although the Authority expects such amount, if any, to be immaterial.

(Continued)

On June 27, 2007, the Board of Directors approved the write-off of two HOME loans: Mesa Grande Apts. Ltd. for $209,000 and Sunrise Homes Apts. Ltd. for $229,000. Based on the information available as of September 30, 2008, management has determined that it is probable that MFA has incurred a contingent liability for the balance of the loans $438,000, which may be payable to HUD for noncompliance with the affordability requirement. The reserve for contingent liability is included in net assets as of September 30, 2008 and recorded on the income statement as of September 30, 2007.

The Authority offers its “Build It!” Loan Guaranty Program to eligible entities, including nonprofit organizations, units of local governments, public housing authorities, and tribal entities. Under this program, the MFA can guarantee up to 50% of a loan to an eligible entity to build or rehabilitate affordable housing. As of September 30, 2008 and 2007, there are no outstanding guarantees to which the Authority has committed.

(14) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover losses to which it may be exposed.

(15) Joint Powers Agreements

The Authority has entered into 11 joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2008, these JPAs and MOUs were as follows:

(a) The Authority entered into a JPA with Human Services Department (HSD) in February 2007, which was amended in June 2007 and April 2008. The purpose of the agreement is to transfer funds to the Authority for the LIHEAP and the Low Income Weatherization Assistance Program (LIWAP). The Authority has the responsibility for program operations. The agreement was effective February 5, 2007 and terminates September 30, 2009. The maximum amount to be reimbursed under the JPA is $2,805,781, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(b) The Authority entered into a JPA with HSD in May 2007. The purpose of the agreement is for HSD to transfer funds to the Authority to administer the homeless program. The Authority has the responsibility for program operations. The agreement was effective July 1, 2007 and terminated June 30, 2008. The amount of the project is $750,000 for State fiscal year 2008, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(c) The Authority entered into a JPA with Department of Finance and Administration (DFA) in May 2004. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective May 4, 2004 and terminated on June 30, 2008. The estimated amount of the project is $600,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(d) The Authority entered into a JPA with DFA in October 2007. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective October 16, 2007 and terminated on June 30, 2008. The estimated amount of the project is $800,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(e) The Authority entered into a Memorandum of Understanding with DFA in September 2008. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective September 26, 2008 and will terminate on June 30, 2009. The estimated amount of the project is $800,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(f) The Authority entered into a JPA with DFA in August 2006. The purpose of the agreement is for DFA to transfer funds to the Authority to renovate, expand, and improve infrastructure for low-income rental housing to be managed by the Albuquerque Mental Health Housing Coalition. The JPA was effective August 4, 2006 and will remain in effect until June 30, 2010. The estimated amount of the project is $625,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(g) The Authority entered into a MOU with DFA in December 2007. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Community Development Block Grant funds. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective December 17, 2007 and will terminate on June 30, 2009. The estimated amount of the project is $500,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(h) The Authority entered into a JPA with DFA in November 2007. The purpose of the agreement is for DFA to transfer funds to the Authority to purchase mortgage loans made to low-income homeowners. The JPA was effective November 13, 2007 and terminated June 30, 2008. The estimated amount of the project is $75,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(Continued)

(i) The Authority entered into a JPA with DFA in December 2007, which was amended in August 2008. The purpose of the agreement is for DFA to transfer funds to the Authority to provide heating, air conditioning, and weatherization facilities and systems and energy efficiency improvements that are affixed to real property statewide. The JPA was effective December 17, 2007 and will terminate October 31, 2012. The estimated amount of the project is $2,000,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(j) The Authority entered into a JPA with DFA in December 2005, which was amended in August 2007 and June 2008. The purpose of the agreement is for DFA to transfer funds to the Authority for the purpose of expending appropriated funds for infrastructure projects to implement the Affordable Housing Act. The JPA was effective December 20, 2005 and will terminate October 31, 2011. The estimated amount of the project is $13,000,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(k) The Authority entered into a JPA with the State Investment Council (SIC) in January 2006. The purpose of the agreement is to establish a relationship under which SIC will act as the investment manager of the Authority's funds. The JPA was effective January 1, 2006 and will continue in force until terminated by the parties.

(16) Related-Party Transactions

In July 2003, the Governor of New Mexico appointed the Executive Director of Homewise (formerly Neighborhood Housing Services) to the Authority's board of directors. During fiscal years 2008 and 2007, the Authority awarded federal grants of approximately $255,000 and $260,000, respectively, to Homewise.

The Authority purchases various insurance policies from an insurance company that is controlled by the family of the Authority's chair of the board.

The Authority awarded funds to an organization that employs the brother of one member of the board.

(17) Subsequent Events

On October 10, 2008, the Authority issued a note payable to the Federal Home Loan Bank of Dallas (FHLB) for $126,609,000, the proceeds of which were used to fully redeem the 2008 Draw Down Issue Bonds for $126,609,000. It is anticipated that the Authority will repay the FHLB borrowing with proceeds of a new bond issue, which will be refunded by bonds issued under the General Indenture, the proceeds of which will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. On the same day, the Authority received $126,609,000 from the 2008 Draw Down Issue Escrow Fund, which was used to purchase a Certificate of Deposit for $126,609,000. It is anticipated the funds will provide the escrow for the newly issued bond. The FHLB Note and Certificate of Deposit matured on January 12, 2009, and the anticipated transaction occurred as described above.

On October 16, 2008, the Authority issued $64,655,000 of Single Family Mortgage Program 2008 Series D Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program.

The Authority invests in securities that are either U.S. government obligations or obligations of government-sponsored entities. These types of securities have not been negatively impacted by the current market conditions. The Authority also invests funds in investment pools sponsored by the New Mexico State Treasurer's Office and the New Mexico State Investment Council. Subsequent to year-end the Authority experienced losses from their investments with both of these state entities' pools. However, the losses are not considered to be significant.

The Authority also invests short-term bond program funds in Guaranteed Investment Contracts (GICs). The GIC providers must maintain financial strength as evidenced by their credit rating in order for the bonds to maintain their AAA rating. Subsequent to September 30, 2008, certain GIC providers were downgraded below the required rating levels. The Authority withdrew the funds held by these GIC providers and invested those funds in U.S. government-backed money market accounts.

(18) Segment Financial Information

The Authority issues separate revenue bonds to finance the single family and multi-family mortgage financing programs. The investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary of financial information for each bond indenture is presented on the following pages. Management expects to be able to securitize single family mortgage loans to maturity with no funding requirement necessary from the Authority. The deficits in net assets restricted for debt service are attributable to unrealized losses on securitized mortgage loans, which are not expected to result in long-term deficiencies in these funds.

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**1994 Series A**	**1994 Series B**	**1994 Series C**	**1994 Series D**	**1994 Series E**	**1994 Series F**	**1997 Series E**	**1997 Series F**
Current assets:								
Restricted cash and cash equivalents	$ —	—	—	—	—	—	—	—
Accrued interest receivable	6	5	5	5	8	—	—	—
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	(1)	—	—	—
Total current assets	6	5	5	5	7	—	—	—
Noncurrent assets:								
Restricted cash and cash equivalents	66	86	31	58	99	—	—	—
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	967	814	898	793	1,133	—	—	—
Unrealized gain (loss) on securitized mortgage loans	50	42	43	37	79	—	—	—
Securitized mortgage loans, net	1,017	856	941	830	1,212	—	—	—
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	8	9	9	9	11	—	—	—
Total noncurrent assets	1,091	951	981	897	1,322	—	—	—
Total assets	$ 1,097	956	986	902	1,329	—	—	—
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 13	13	13	14	18	—	—	—
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—	—	—
Total current liabilities	13	13	13	14	18	—	—	—
Noncurrent liabilities:								
Bonds payable, net	785	752	766	830	1,050	—	—	—
Accrued arbitrage rebate	—	—	—	—	—	—	—	—
Total noncurrent liabilities	785	752	766	830	1,050	—	—	—
Total liabilities	798	765	779	844	1,068	—	—	—
Net assets restricted for debt service	299	191	207	58	261	—	—	—
Total liabilities and net assets	$ 1,097	956	986	902	1,329	—	—	—

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**1997 Series G**	**1998 Series A**	**1998 Series B**	**1998 Series C**	**1998 Series D**	**1998 Series E**	**1999 Series A**	**1999 Series B**
Current assets:								
Restricted cash and cash equivalents	$ 130	130	90	135	110	145	170	155
Accrued interest receivable	27	40	28	38	33	35	36	44
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(4)	(6)	(4)	(5)	(5)	(5)	(2)	(2)
Total current assets	153	164	114	168	138	175	204	197
Noncurrent assets:								
Restricted cash and cash equivalents	291	954	568	869	109	431	96	312
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	4,491	6,445	4,322	5,578	6,416	6,451	7,639	8,911
Unrealized gain (loss) on securitized mortgage loans	112	134	92	76	48	35	3	(27)
Securitized mortgage loans, net	4,603	6,579	4,414	5,654	6,464	6,486	7,642	8,884
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	33	51	33	46	48	49	59	67
Total noncurrent assets	4,927	7,584	5,015	6,569	6,621	6,966	7,797	9,263
Total assets	$ 5,080	7,748	5,129	6,737	6,759	7,141	8,001	9,460
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 61	90	59	81	83	85	31	40
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	130	130	90	135	110	145	170	155
Total current liabilities	191	220	149	216	193	230	201	195
Noncurrent liabilities:								
Bonds payable, net	4,475	6,509	4,147	5,791	5,831	6,087	6,930	8,481
Accrued arbitrage rebate	23	1	4	6	3	2	2	—
Total noncurrent liabilities	4,498	6,510	4,151	5,797	5,834	6,089	6,932	8,481
Total liabilities	4,689	6,730	4,300	6,013	6,027	6,319	7,133	8,676
Net assets restricted for debt service	391	1,018	829	724	732	822	868	784
Total liabilities and net assets	$ 5,080	7,748	5,129	6,737	6,759	7,141	8,001	9,460

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**1999 Series C**	**1999 Series D**	**1999 Series E**	**1999 Series F**	**2000 Series A**	**2000 Series B**	**2000 Series C**	**2000 Series D**
Current assets:								
Restricted cash and cash equivalents	$ —	100	85	70	45	35	25	10
Accrued interest receivable	8	27	36	24	21	21	17	24
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	(1)	(2)	(1)	(1)	(1)	(1)	(1)
Total current assets	8	126	119	93	65	55	41	33
Noncurrent assets:								
Restricted cash and cash equivalents	78	—	107	612	44	266	199	445
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	1,542	5,057	6,709	3,895	3,639	3,559	2,818	3,918
Unrealized gain (loss) on securitized mortgage loans	22	78	104	85	160	129	116	140
Securitized mortgage loans, net	1,564	5,135	6,813	3,980	3,799	3,688	2,934	4,058
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	19	33	53	38	28	31	23	38
Total noncurrent assets	1,661	5,168	6,973	4,630	3,871	3,985	3,156	4,541
Total assets	$ 1,669	5,294	7,092	4,723	3,936	4,040	3,197	4,574
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 7	20	33	23	19	18	15	23
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	—	436	85	70	45	35	25	10
Total current liabilities	7	456	118	93	64	53	40	33
Noncurrent liabilities:								
Bonds payable, net	1,548	4,019	6,392	4,363	3,319	3,475	2,859	4,255
Accrued arbitrage rebate	—	—	3	3	9	4	4	13
Total noncurrent liabilities	1,548	4,019	6,395	4,366	3,328	3,479	2,863	4,268
Total liabilities	1,555	4,475	6,513	4,459	3,392	3,532	2,903	4,301
Net assets restricted for debt service	114	819	579	264	544	508	294	273
Total liabilities and net assets	$ 1,669	5,294	7,092	4,723	3,936	4,040	3,197	4,574

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A**	**2001 Series B**	**2001 Series C**	**2001 Series D**	**2002 Series A**	**2002 Series B**
Current assets:								
Restricted cash and cash equivalents	$ 35	—	100	136	105	130	90	115
Accrued interest receivable	32	1	38	37	33	35	31	41
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(2)	—	(2)	(2)	(2)	(1)	(1)	(2)
Total current assets	65	1	136	171	136	164	120	154
Noncurrent assets:								
Restricted cash and cash equivalents	259	204	220	—	136	473	223	367
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	5,690	—	7,781	7,362	6,428	7,249	6,076	8,328
Unrealized gain (loss) on securitized mortgage loans	156	—	(25)	47	67	(46)	35	10
Securitized mortgage loans, net	5,846	—	7,756	7,409	6,495	7,203	6,111	8,338
Restricted mortgage loans, net	—	165	—	—	—	—	—	—
Bond issuance costs, net	46	5	64	64	58	70	57	80
Total noncurrent assets	6,151	374	8,040	7,473	6,689	7,746	6,391	8,785
Total assets	$ 6,216	375	8,176	7,644	6,825	7,910	6,511	8,939
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 29	1	35	35	30	33	29	40
Accounts payable and other accrued expenses	—	1	—	—	—	—	—	—
Current portion of bonds payable	35	—	100	140	105	130	90	115
Total current liabilities	64	2	135	175	135	163	119	155
Noncurrent liabilities:								
Bonds payable, net	5,598	136	7,448	7,088	6,287	7,399	5,919	8,483
Accrued arbitrage rebate	12	—	—	—	—	—	—	—
Total noncurrent liabilities	5,610	136	7,448	7,088	6,287	7,399	5,919	8,483
Total liabilities	5,674	138	7,583	7,263	6,422	7,562	6,038	8,638
Net assets restricted for debt service	542	237	593	381	403	348	473	301
Total liabilities and net assets	$ 6,216	375	8,176	7,644	6,825	7,910	6,511	8,939

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**2002 Series C**	**2002 Series D**	**2002 Series E**	**2002 Series F**	**2003 Series A**	**2003 Series B**	**2003 Series C**	**2003 Series D**
Current assets:								
Restricted cash and cash equivalents	$ 145	145	170	160	180	180	270	180
Accrued interest receivable	41	36	44	41	43	44	54	56
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(2)	(1)	(2)	(1)	(2)	(1)	(3)	(2)
Total current assets	184	180	212	200	221	223	321	234
Noncurrent assets:								
Restricted cash and cash equivalents	365	159	351	30	221	129	624	110
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	8,398	7,540	9,226	8,937	9,931	10,299	13,428	11,555
Unrealized gain (loss) on securitized mortgage loans	33	(43)	(90)	(110)	(261)	(291)	(703)	(91)
Securitized mortgage loans, net	8,431	7,497	9,136	8,827	9,670	10,008	12,725	11,464
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	83	73	91	85	99	105	140	109
Total noncurrent assets	8,879	7,729	9,578	8,942	9,990	10,242	13,489	11,683
Total assets	$ 9,063	7,909	9,790	9,142	10,211	10,465	13,810	11,917
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 40	34	40	38	41	43	52	53
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	145	145	170	160	180	180	270	180
Total current liabilities	185	179	210	198	221	223	322	233
Noncurrent liabilities:								
Bonds payable, net	8,657	7,549	9,352	8,704	9,905	10,377	14,079	11,480
Accrued arbitrage rebate	—	—	—	—	—	—	—	2
Total noncurrent liabilities	8,657	7,549	9,352	8,704	9,905	10,377	14,079	11,482
Total liabilities	8,842	7,728	9,562	8,902	10,126	10,600	14,401	11,715
Net assets restricted for debt service	221	181	228	240	85	(135)	(591)	202
Total liabilities and net assets	$ 9,063	7,909	9,790	9,142	10,211	10,465	13,810	11,917

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets	Single Family Mortgage Programs							
Assets	**2003 Series E**	**2004 Series A**	**2004 Series B**	**2004 Series C**	**2004 Series D**	**2004 Series E**	**2005 Series A**	**2005 Series B**
Current assets:								
Restricted cash and cash equivalents	$ 250	245	275	275	295	315	335	320
Accrued interest receivable	61	65	66	81	97	86	94	102
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(1)	(9)	(9)	(11)	(10)	(13)	(12)	—
Total current assets	310	301	332	345	382	388	417	422
Noncurrent assets:								
Restricted cash and cash equivalents	293	866	1,068	1,266	1,859	1,185	1,079	2,195
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	13,440	13,614	14,263	15,666	17,388	17,380	19,817	19,604
Unrealized gain (loss) on securitized mortgage loans	(290)	(416)	(548)	(223)	(241)	(401)	(492)	(551)
Securitized mortgage loans, net	13,150	13,198	13,715	15,443	17,147	16,979	19,325	19,053
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	126	137	121	136	152	153	174	184
Total noncurrent assets	13,569	14,201	14,904	16,845	19,158	18,317	20,578	21,432
Total assets	$ 13,879	14,502	15,236	17,190	19,540	18,705	20,995	21,854
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 58	171	170	219	258	228	254	285
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	250	245	275	275	295	315	335	320
Total current liabilities	308	416	445	494	553	543	589	605
Noncurrent liabilities:								
Bonds payable, net	13,451	14,155	14,964	16,613	18,886	18,263	20,536	21,363
Accrued arbitrage rebate	1	—	—	—	—	—	—	—
Total noncurrent liabilities	13,452	14,155	14,964	16,613	18,886	18,263	20,536	21,363
Total liabilities	13,760	14,571	15,409	17,107	19,439	18,806	21,125	21,968
Net assets restricted for debt service	119	(69)	(173)	83	101	(101)	(130)	(114)
Total liabilities and net assets	$ 13,879	14,502	15,236	17,190	19,540	18,705	20,995	21,854

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs					
Assets	**2005 Series C**	**2005 General Indenture**	**2006 Draw Down**	**2007 Draw Down**	**2008 Draw Down**	**Total Single Family Mortgage Programs**
Current assets:						
Restricted cash and cash equivalents	$ 315	7,420	—	—	126,650	140,271
Accrued interest receivable	98	3,959	—	—	—	5,804
Other current assets	—	—	—	—	—	—
Intra-entity receivable (payable)	(9)	(385)	—	—	—	(527)
Total current assets	404	10,994	—	—	126,650	145,548
Noncurrent assets:						
Restricted cash and cash equivalents	1,972	77,548	—	—	—	98,923
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost	18,180	703,264	—	—	—	1,066,839
Unrealized gain (loss) on securitized mortgage loans	(611)	(8,831)	—	—	—	(12,358)
Securitized mortgage loans, net	17,569	694,433	—	—	—	1,054,481
Restricted mortgage loans, net	—	—	—	—	—	165
Bond issuance costs, net	176	6,445	—	—	—	9,728
Total noncurrent assets	19,717	778,426	—	—	—	1,163,297
Total assets	$ 20,121	789,420	—	—	126,650	1,308,845
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 253	9,938	—	—	—	13,166
Accounts payable and other accrued expenses	—	19	—	—	1	21
Current portion of bonds payable	315	7,420	—	—	126,609	140,570
Total current liabilities	568	17,377	—	—	126,610	153,757
Noncurrent liabilities:						
Bonds payable, net	19,835	762,000	—	—	—	1,131,191
Accrued arbitrage rebate	—	649	—	—	41	782
Total noncurrent liabilities	19,835	762,649	—	—	41	1,131,973
Total liabilities	20,403	780,026	—	—	126,651	1,285,730
Net assets restricted for debt service	(282)	9,394	—	—	(1)	23,115
Total liabilities and net assets	$ 20,121	789,420	—	—	126,650	1,308,845

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs 1994 Series A	1994 Series B	1994 Series C	1994 Series D	1994 Series E	1994 Series F	1997 Series E	1997 Series F
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 71	63	65	59	89	32	—	—
Interest on securities and temporary investments	2	5	3	4	8	4	3	3
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	3	(2)	2	—	25	(46)	—	—
Loan and commitment fees	—	—	—	—	—	—	—	—
Administrative fees and other	(1)	(1)	(1)	(2)	(3)	—	—	—
Total operating revenues	75	65	69	61	119	(10)	3	3
Operating expenses:								
Interest	57	59	56	64	85	16	—	—
Amortization of bond issuance costs	2	5	2	3	4	5	—	—
Administrative fees and other	—	1	—	1	—	2	1	1
Total operating expenses	59	65	58	68	89	23	1	1
Operating income (loss)	16	—	11	(7)	30	(33)	2	2
Other financing sources (uses) – operating transfers	—	—	—	—	—	(690)	(12)	(15)
Change in net assets	16	—	11	(7)	30	(723)	(10)	(13)
Total net assets – beginning	283	191	196	65	231	723	10	13
Total net assets – ending	$ 299	191	207	58	261	—	—	—
Net cash provided (used) by:								
Operating activities	$ 159	272	215	223	357	435	(13)	(16)
Noncapital financing activities	(158)	(386)	(219)	(252)	(405)	(550)	(7)	(7)
Investing activities	2	7	3	4	8	6	—	—
Net increase (decrease)	3	(107)	(1)	(25)	(40)	(109)	(20)	(23)
Cash and cash equivalents, beginning of year	63	193	32	83	139	109	20	23
Cash and cash equivalents, end of year	$ 66	86	31	58	99	—	—	—

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs 1997 Series G	1998 Series A	1998 Series B	1998 Series C	1998 Series D	1998 Series E	1999 Series A	1999 Series B
Operating revenues:									
Interest on mortgage loans and securitized mortgage loans	$	295	417	262	337	349	343	396	498
Interest on securities and temporary investments		47	44	32	48	29	38	35	45
Loss on sale of assets		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		34	76	53	78	89	120	177	142
Loan and commitment fees		11	15	12	12	14	16	13	17
Administrative fees and other		(17)	(26)	(17)	(22)	(23)	(25)	(28)	(34)
Total operating revenues		370	526	342	453	458	492	593	668
Operating expenses:									
Interest		296	349	216	308	307	309	358	474
Amortization of bond issuance costs		14	18	12	16	15	18	16	19
Administrative fees and other		2	3	3	3	1	1	2	2
Total operating expenses		312	370	231	327	323	328	376	495
Operating income (loss)		58	156	111	126	135	164	217	173
Other financing sources (uses) – operating transfers		6	—	—	—	—	—	—	—
Change in net assets		64	156	111	126	135	164	217	173
Total net assets – beginning		327	862	718	598	597	658	651	611
Total net assets – ending	$	391	1,018	829	724	732	822	868	784
Net cash provided (used) by:									
Operating activities	$	1,738	1,928	1,192	1,988	871	1,451	1,423	2,041
Noncapital financing activities		(1,901)	(2,107)	(1,368)	(1,836)	(1,767)	(2,156)	(1,684)	(2,272)
Investing activities		44	42	33	45	36	44	36	45
Net increase (decrease)		(119)	(137)	(143)	197	(860)	(661)	(225)	(186)
Cash and cash equivalents, beginning of year		540	1,221	801	807	1,079	1,237	491	653
Cash and cash equivalents, end of year	$	421	1,084	658	1,004	219	576	266	467

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets		**Single Family Mortgage Programs** 1999 Series C	1999 Series D	1999 Series E	1999 Series F	2000 Series A	2000 Series B	2000 Series C	2000 Series D
Operating revenues:									
Interest on mortgage loans and securitized mortgage loans	$	95	307	415	278	251	241	196	276
Interest on securities and temporary investments		6	34	28	30	27	21	17	33
Loss on sale of assets		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		22	34	38	(4)	31	50	27	44
Loan and commitment fees		2	10	10	7	8	7	6	11
Administrative fees and other		(6)	(18)	(24)	(16)	(14)	(14)	(11)	(15)
Total operating revenues		119	367	467	295	303	305	235	349
Operating expenses:									
Interest		88	277	394	287	244	223	184	284
Amortization of bond issuance costs		4	11	11	9	10	8	6	11
Administrative fees and other		—	—	1	1	1	1	1	1
Total operating expenses		92	288	406	297	255	232	191	296
Operating income (loss)		27	79	61	(2)	48	73	44	53
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—	—
Change in net assets		27	79	61	(2)	48	73	44	53
Total net assets – beginning		87	740	518	266	496	435	250	220
Total net assets – ending	$	114	819	579	264	544	508	294	273
Net cash provided (used) by:									
Operating activities	$	348	991	1,139	1,544	713	703	708	1,431
Noncapital financing activities		(299)	(1,447)	(1,350)	(1,047)	(1,140)	(783)	(641)	(1,238)
Investing activities		6	35	29	28	29	21	17	32
Net increase (decrease)		55	(421)	(182)	525	(398)	(59)	84	225
Cash and cash equivalents, beginning of year		23	521	374	157	487	360	140	230
Cash and cash equivalents, end of year	$	78	100	192	682	89	301	224	455

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs							
	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B	2001 Series C	2001 Series D	2002 Series A	2002 Series B
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 368	12	446	444	380	409	361	486
Interest on securities and temporary investments	45	5	31	28	44	40	36	40
Loss on sale of assets	—	1	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	50	—	101	59	54	129	71	104
Loan and commitment fees	16	—	15	13	18	21	17	17
Administrative fees and other	(22)	—	(29)	(27)	(24)	(10)	(15)	(25)
Total operating revenues	457	18	564	517	472	589	470	622
Operating expenses:								
Interest	361	10	426	429	379	416	365	491
Amortization of bond issuance costs	15	3	14	12	18	20	17	17
Administrative fees and other	2	2	2	2	1	1	1	1
Total operating expenses	378	15	442	443	398	437	383	509
Operating income (loss)	79	3	122	74	74	152	87	113
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—	—
Change in net assets	79	3	122	74	74	152	87	113
Total net assets – beginning	463	234	471	307	329	196	386	188
Total net assets – ending	$ 542	237	593	381	403	348	473	301
Net cash provided (used) by:								
Operating activities	$ 1,531	59	1,532	1,168	1,518	2,101	1,573	1,834
Noncapital financing activities	(1,851)	(69)	(1,569)	(1,393)	(1,966)	(2,135)	(1,772)	(1,772)
Investing activities	46	6	31	29	46	40	37	40
Net increase (decrease)	(274)	(4)	(6)	(196)	(402)	6	(162)	102
Cash and cash equivalents, beginning of year	568	208	326	332	643	597	475	380
Cash and cash equivalents, end of year	$ 294	204	320	136	241	603	313	482

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Notes to Financial Statements

Year ended September 30, 2008

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs 2002 Series C	2002 Series D	2002 Series E	2002 Series F	2003 Series A	2003 Series B	2003 Series C	2003 Series D
Operating revenues:									
Interest on mortgage loans and securitized mortgage loans	$	495	412	503	466	484	468	618	612
Interest on securities and temporary investments		40	37	35	36	45	56	40	54
Loss on sale of assets		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		109	137	159	155	237	268	376	186
Loan and commitment fees		19	18	18	22	29	35	32	30
Administrative fees and other		(24)	(18)	(20)	(19)	(31)	(17)	(41)	(21)
Total operating revenues		639	586	695	660	764	810	1,025	861
Operating expenses:									
Interest		498	420	496	461	489	511	618	640
Amortization of bond issuance costs		21	20	19	21	28	33	29	29
Administrative fees and other		1	1	2	3	3	2	2	1
Total operating expenses		520	441	517	485	520	546	649	670
Operating income (loss)		119	145	178	175	244	264	376	191
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—	—
Change in net assets		119	145	178	175	244	264	376	191
Total net assets – beginning		102	36	50	65	(159)	(399)	(967)	11
Total net assets – ending	$	221	181	228	240	85	(135)	(591)	202
Net cash provided (used) by:									
Operating activities	$	1,888	1,687	1,847	1,648	2,154	2,216	2,912	2,045
Noncapital financing activities		(2,186)	(2,112)	(2,006)	(2,204)	(2,811)	(3,329)	(2,852)	(3,164)
Investing activities		41	37	34	36	46	59	40	57
Net increase (decrease)		(257)	(388)	(125)	(520)	(611)	(1,054)	100	(1,062)
Cash and cash equivalents, beginning of year		767	692	646	710	1,012	1,363	794	1,352
Cash and cash equivalents, end of year	$	510	304	521	190	401	309	894	290

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs 2003 Series E	2004 Series A	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 646	666	645	849	967	880	992	1,012
Interest on securities and temporary investments	77	38	69	63	83	67	68	80
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	353	314	426	277	293	383	448	431
Loan and commitment fees	50	28	41	35	34	38	33	36
Administrative fees and other	(18)	(37)	(39)	(46)	(45)	(60)	(51)	—
Total operating revenues	1,108	1,009	1,142	1,178	1,332	1,308	1,490	1,559
Operating expenses:								
Interest	698	641	640	848	1,001	876	976	1,101
Amortization of bond issuance costs	42	27	40	34	39	39	37	43
Administrative fees and other	1	1	1	1	1	1	1	1
Total operating expenses	741	669	681	883	1,041	916	1,014	1,145
Operating income (loss)	367	340	461	295	291	392	476	414
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—	—
Change in net assets	367	340	461	295	291	392	476	414
Total net assets – beginning	(248)	(409)	(634)	(212)	(190)	(493)	(606)	(528)
Total net assets – ending	$ 119	(69)	(173)	83	101	(101)	(130)	(114)
Net cash provided (used) by:								
Operating activities	$ 3,781	2,286	3,283	3,340	4,642	3,730	3,485	4,418
Noncapital financing activities	(4,528)	(2,848)	(4,877)	(4,264)	(4,951)	(4,692)	(4,487)	(5,298)
Investing activities	79	42	80	69	84	73	72	86
Net increase (decrease)	(668)	(520)	(1,514)	(855)	(225)	(889)	(930)	(794)
Cash and cash equivalents, beginning of year	1,211	1,631	2,857	2,396	2,379	2,389	2,344	3,309
Cash and cash equivalents, end of year	$ 543	1,111	1,343	1,541	2,154	1,500	1,414	2,515

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs					
	2005 Series C	2005 General Indenture	2006 Draw Down	2007 Draw Down	2008 Draw Down	Total Single Family Mortgage Programs
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	$ 874	30,588	—	—	—	50,418
Interest on securities and temporary investments	85	4,437	15	4,490	1,949	12,679
Loss on sale of assets	—	—	—	—	—	1
Net increase (decrease) in fair value of investments	472	2,820	—	—	—	9,405
Loan and commitment fees	36	616	—	—	—	1,438
Administrative fees and other	(44)	(1,397)	—	—	—	(2,398)
Total operating revenues	1,423	37,064	15	4,490	1,949	71,543
Operating expenses:						
Interest	997	33,608	—	4,483	1,949	59,763
Amortization of bond issuance costs	44	588	—	40	10	1,518
Administrative fees and other	1	79	—	22	1	167
Total operating expenses	1,042	34,275	—	4,545	1,960	61,448
Operating income (loss)	381	2,789	15	(55)	(11)	10,095
Other financing sources (uses) – operating transfers	—	1,592	—	16	10	907
Change in net assets	381	4,381	15	(39)	(1)	11,002
Total net assets – beginning	(663)	5,013	(15)	39	—	12,113
Total net assets – ending	$ (282)	9,394	—	—	(1)	23,115
Net cash provided (used) by:						
Operating activities	$ 5,346	(246,849)	—	(7)	10	(162,981)
Noncapital financing activities	(5,316)	129,696	—	(259,936)	124,649	(105,063)
Investing activities	82	6,872	—	4,957	1,991	15,664
Net increase (decrease)	112	(110,281)	—	(254,986)	126,650	(252,380)
Cash and cash equivalents, beginning of year	2,175	195,249	—	254,986	—	491,574
Cash and cash equivalents, end of year	$ 2,287	84,968	—	—	126,650	239,194

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Rental Housing Mortgage Programs						
Assets	**1987 Series A, B**	**1995 Series A**	**1997 Series A**	**1997 Series B**	**1998 Series A, B**	**2001 Series A, B, C, D**	**2001 Series E**
Current assets:							
Restricted cash and cash equivalents	$ —	—	—	80	174	—	130
Accrued interest receivable	1	—	—	18	1	84	2
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(1)	—	—	(2)	(3)	(12)	(6)
Total current assets	—	—	—	96	172	72	126
Noncurrent assets:							
Restricted cash and cash equivalents	—	—	—	8	—	356	183
Note receivable	9,900	—	—	—	—	—	—
Securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	3,671	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	14	—	—	—
Total securitized mortgage loans, net	—	—	—	3,685	—	—	—
Mortgage loans, net	—	—	—	—	8,305	19,015	9,521
Bond issuance costs, net	—	—	—	—	—	—	—
Total noncurrent assets	9,900	—	—	3,693	8,305	19,371	9,704
Total assets	$ 9,900	—	—	3,789	8,477	19,443	9,830
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ —	—	—	50	110	238	198
Accounts payable and other accrued expenses	—	—	—	—	6	2	19
Current portion of bonds payable	—	—	—	80	200	—	130
Total current liabilities	—	—	—	130	316	240	347
Noncurrent liabilities:							
Bonds payable, net	9,900	—	—	3,535	8,155	19,015	9,445
Accrued arbitrage rebate	—	—	—	25	1	—	—
Total noncurrent liabilities	9,900	—	—	3,560	8,156	19,015	9,445
Total liabilities	9,900	—	—	3,690	8,472	19,255	9,792
Net assets restricted for debt service	—	—	—	99	5	188	38
Total liabilities and net assets	$ 9,900	—	—	3,789	8,477	19,443	9,830

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets	Rental Housing Mortgage Programs						
Assets	**2002 Series A, B**	**2003 Series A, B**	**2004 Series A, B**	**2004 Series C, D**	**2004 Series E**	**2004 Series F, G**	**2005 Series A, B**
Current assets:							
Restricted cash and cash equivalents	$ 120	120	230	140	69	130	140
Accrued interest receivable	50	40	41	55	41	48	51
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	(1)	—	—
Total current assets	170	160	271	195	109	178	191
Noncurrent assets:							
Restricted cash and cash equivalents	454	267	281	370	—	342	367
Note receivable	—	—	—	—	—	—	—
Securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	—	—
Total securitized mortgage loans, net	—	—	—	—	—	—	—
Mortgage loans, net	9,070	8,666	9,056	11,611	7,381	10,429	11,149
Bond issuance costs, net	175	76	212	80	—	49	108
Total noncurrent assets	9,699	9,009	9,549	12,061	7,381	10,820	11,624
Total assets	$ 9,869	9,169	9,820	12,256	7,490	10,998	11,815
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 141	39	40	55	40	48	49
Accounts payable and other accrued expenses	—	—	1	—	2	—	—
Current portion of bonds payable	120	120	230	140	73	130	140
Total current liabilities	261	159	271	195	115	178	189
Noncurrent liabilities:							
Bonds payable, net	9,704	9,010	9,325	12,120	7,314	10,860	11,620
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	9,704	9,010	9,325	12,120	7,314	10,860	11,620
Total liabilities	9,965	9,169	9,596	12,315	7,429	11,038	11,809
Net assets restricted for debt service	(96)	—	224	(59)	61	(40)	6
Total liabilities and net assets	$ 9,869	9,169	9,820	12,256	7,490	10,998	11,815

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Rental Housing Mortgage Programs					
Assets	**2005 Series C, D**	**2005 Series E, F**	**2006 Series A**	**2007 Series A, B**	**2007 Series C, D**	**Total Rental Housing Mortgage Programs**
Current assets:						
Restricted cash and cash equivalents	$ 50	155	—	60	80	1,678
Accrued interest receivable	16	53	38	26	71	636
Other current assets	—	—	4	—	—	4
Intra-entity receivable (payable)	—	—	—	—	(7)	(32)
Total current assets	66	208	42	86	144	2,286
Noncurrent assets:						
Restricted cash and cash equivalents	148	343	39	235	2,086	5,479
Note receivable	—	—	—	—	—	9,900
Securitized mortgage loans, net:						
Securitized mortgage loans, net cost	—	—	—	—	—	3,671
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	14
Total securitized mortgage loans, net	—	—	—	—	—	3,685
Mortgage loans, net	3,881	12,319	9,230	5,604	12,118	147,355
Bond issuance costs, net	—	181	—	—	—	881
Total noncurrent assets	4,029	12,843	9,269	5,839	14,204	167,300
Total assets	$ 4,095	13,051	9,311	5,925	14,348	169,586
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 16	53	72	26	159	1,334
Accounts payable and other accrued expenses	1	—	(1)	1	—	31
Current portion of bonds payable	50	155	—	60	80	1,708
Total current liabilities	67	208	71	87	239	3,073
Noncurrent liabilities:						
Bonds payable, net	4,083	12,882	9,230	5,902	13,980	166,080
Accrued arbitrage rebate	—	—	—	—	—	26
Total noncurrent liabilities	4,083	12,882	9,230	5,902	13,980	166,106
Total liabilities	4,150	13,090	9,301	5,989	14,219	169,179
Net assets restricted for debt service	(55)	(39)	10	(64)	129	407
Total liabilities and net assets	$ 4,095	13,051	9,311	5,925	14,348	169,586

(Continued)

(In thousands)

(18) Segment Financial Information

	Rental Housing Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets	**1987 Series A, B**	**1995 Series A**	**1997 Series A**	**1997 Series B**	**1998 Series A, B**	**2001 Series A, B, C, D**	**2001 Series E**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 758	—	80	214	445	1,007	569
Interest on securities and temporary investments	—	—	—	5	—	9	—
Net increase (decrease) in fair value of investments	—	—	—	3	—	—	—
Loan and commitment fees	—	—	36	—	—	—	—
Administrative fees and other	(12)	—	(2)	(6)	33	(47)	4
Total operating revenues	746	—	114	216	478	969	573
Operating expenses:							
Interest expense	718	—	69	206	445	951	570
Amortization of bond issuance costs	—	—	—	—	—	—	—
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	28	—	(164)	2	34	6	5
Total operating expenses	746	—	(95)	208	479	957	575
Operating income (loss)	—	—	209	8	(1)	12	(2)
Other financing sources (uses) – operating transfers	—	—	(166)	—	—	—	—
Change in net assets	—	—	43	8	(1)	12	(2)
Total net assets – beginning	—	—	(43)	91	6	176	40
Total net assets – ending	$ —	—	—	99	5	188	38
Condensed Statement of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 718	—	3,310	280	638	954	687
Noncapital financing activities	(718)	—	(3,311)	(292)	(638)	(951)	(693)
Investing activities	—	—	—	5	—	9	—
Net increase (decrease)	—	—	(1)	(7)	—	12	(6)
Cash and cash equivalents, beginning of year	—	—	1	95	174	344	319
Cash and cash equivalents, end of year	$ —	—	—	88	174	356	313

(Continued)

(In thousands)

(18) Segment Financial Information

	Rental Housing Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets	**2002 Series A, B**	**2003 Series A, B**	**2004 Series A, B**	**2004 Series C, D**	**2004 Series E**	**2004 Series F, G**	**2005 Series A, B**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 552	469	481	646	496	565	593
Interest on securities and temporary investments	20	15	23	26	1	(27)	21
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—
Loan and commitment fees	8	8	6	10	—	9	10
Administrative fees and other	—	—	—	—	(11)	—	—
Total operating revenues	580	492	510	682	486	547	624
Operating expenses:							
Interest expense	550	475	490	668	483	576	590
Amortization of bond issuance costs	10	4	12	4	—	2	5
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	1	2	3	3	2	3	3
Total operating expenses	561	481	505	675	485	581	598
Operating income (loss)	19	11	5	7	1	(34)	26
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net assets	19	11	5	7	1	(34)	26
Total net assets – beginning	(115)	(11)	219	(66)	60	(6)	(20)
Total net assets – ending	$ (96)	—	224	(59)	61	(40)	6
Condensed Statement of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 661	579	691	779	552	684	721
Noncapital financing activities	(680)	(596)	(711)	(804)	(551)	(701)	(721)
Investing activities	20	14	23	26	2	(27)	21
Net increase (decrease)	1	(3)	3	1	3	(44)	21
Cash and cash equivalents, beginning of year	573	390	508	509	66	516	486
Cash and cash equivalents, end of year	$ 574	387	511	510	69	472	507

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Notes to Financial Statements

Year ended September 30, 2008

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	**Rental Housing Mortgage Programs** 2005 Series C, D	2005 Series E, F	2006 Series A	2007 Series A, B	2007 Series C, D	Total Rental Housing Mortgage Programs
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	$ 193	627	406	325	993	9,419
Interest on securities and temporary investments	6	17	2	52	105	275
Net increase (decrease) in fair value of investments	—	—	—	—	—	3
Loan and commitment fees	3	11	—	5	—	106
Administrative fees and other	—	—	(146)	—	(23)	(210)
Total operating revenues	202	655	262	382	1,075	9,593
Operating expenses:						
Interest expense	194	638	431	310	906	9,270
Amortization of bond issuance costs	(1)	6	—	(1)	—	41
Provision (recovery) for loan losses	—	—	—	—	—	—
Administrative fees and other	2	4	3	2	1	(60)
Total operating expenses	195	648	434	311	907	9,251
Operating income (loss)	7	7	(172)	71	168	342
Other financing sources (uses) – operating transfers	—	—	—	—	—	(166)
Change in net assets	7	7	(172)	71	168	176
Total net assets – beginning	(62)	(46)	182	(135)	(39)	231
Total net assets – ending	$ (55)	(39)	10	(64)	129	407
Condensed Statement of Cash Flows						
Net cash provided by (used in):						
Operating activities	$ 240	773	295	(1,811)	(2,027)	8,724
Noncapital financing activities	(234)	(789)	(431)	(385)	(857)	(14,063)
Investing activities	6	17	128	52	105	401
Net increase (decrease)	12	1	(8)	(2,144)	(2,779)	(4,938)
Cash and cash equivalents, beginning of year	186	497	47	2,439	4,945	12,095
Cash and cash equivalents, end of year	$ 198	498	39	295	2,166	7,157

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**1994 Series A**	**1994 Series B**	**1994 Series C**	**1994 Series D**	**1994 Series E**	**1994 Series F**	**1995 Series H**	**1996 Series E**
Current assets:								
Restricted cash and cash equivalents	$ —	—	—	—	—	—	—	—
Accrued interest receivable	6	8	6	6	9	8	—	—
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	(1)	—	—	—
Total current assets	6	8	6	6	8	8	—	—
Noncurrent assets:								
Restricted cash and cash equivalents	63	193	32	83	139	109	—	—
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	1,056	1,024	1,049	958	1,404	1,089	—	—
Unrealized gain (loss) on securitized mortgage loans	48	44	41	38	53	46	—	—
Securitized mortgage loans, net	1,104	1,068	1,090	996	1,457	1,135	—	—
Restricted mortgage loans, net								
Bond issuance costs, net	10	14	10	12	16	5	—	—
Total noncurrent assets	1,177	1,275	1,132	1,091	1,612	1,249	—	—
Total assets	$ 1,183	1,283	1,138	1,097	1,620	1,257	—	—
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 15	18	15	17	24	9	—	—
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—	—	—
Total current liabilities	15	18	15	17	24	9	—	—
Noncurrent liabilities:								
Bonds payable, net	885	1,074	927	1,015	1,365	525	—	—
Accrued arbitrage rebate	—	—	—	—	—	—	—	—
Total noncurrent liabilities	885	1,074	927	1,015	1,365	525	—	—
Total liabilities	900	1,092	942	1,032	1,389	534	—	—
Net assets restricted for debt service	283	191	196	65	231	723	—	—
Total liabilities and net assets	$ 1,183	1,283	1,138	1,097	1,620	1,257	—	—

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**1996 Series G**	**1997 Series A**	**1997 Series B**	**1997 Series C**	**1997 Series E**	**1997 Series F**	**1997 Series G**	**1998 Series A**
Current assets:								
Restricted cash and cash equivalents	$ —	—	—	—	—	—	170	95
Accrued interest receivable	—	—	—	—	—	—	33	46
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	(5)	(7)
Total current assets	—	—	—	—	—	—	198	134
Noncurrent assets:								
Restricted cash and cash equivalents	—	—	—	—	20	23	370	1,126
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	—	—	—	—	—	—	5,932	7,964
Unrealized gain (loss) on securitized mortgage loans	—	—	—	—	—	—	78	57
Securitized mortgage loans, net	—	—	—	—	—	—	6,010	8,021
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	—	—	—	—	—	—	47	69
Total noncurrent assets	—	—	—	—	20	23	6,427	9,216
Total assets	$ —	—	—	—	20	23	6,625	9,350
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ —	—	—	—	—	—	83	114
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—	170	95
Total current liabilities	—	—	—	—	—	—	253	209
Noncurrent liabilities:								
Bonds payable, net	—	—	—	—	—	—	6,035	8,278
Accrued arbitrage rebate	—	—	—	—	10	10	10	1
Total noncurrent liabilities	—	—	—	—	10	10	6,045	8,279
Total liabilities	—	—	—	—	10	10	6,298	8,488
Net assets restricted for debt service	—	—	—	—	10	13	327	862
Total liabilities and net assets	$ —	—	—	—	20	23	6,625	9,350

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

		Single Family Mortgage Programs							
Assets		**1998 Series B**	**1998 Series C**	**1998 Series D**	**1998 Series E**	**1999 Series A**	**1999 Series B**	**1999 Series C**	**1999 Series D**
Current assets:									
Restricted cash and cash equivalents	$	90	105	110	180	115	110	—	90
Accrued interest receivable		34	44	42	47	42	52	9	32
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		(5)	(6)	(6)	(7)	(2)	(3)	(1)	(2)
Total current assets		119	143	146	220	155	159	8	120
Noncurrent assets:									
Restricted cash and cash equivalents		711	702	969	1,057	376	543	23	431
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		5,256	7,235	6,947	7,564	8,679	10,466	1,799	5,747
Unrealized gain (loss) on securitized mortgage loans		38	(2)	(41)	(85)	(174)	(169)	—	44
Securitized mortgage loans, net		5,294	7,233	6,906	7,479	8,505	10,297	1,799	5,791
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		46	61	63	67	75	86	23	44
Total noncurrent assets		6,051	7,996	7,938	8,603	8,956	10,926	1,845	6,266
Total assets	$	6,170	8,139	8,084	8,823	9,111	11,085	1,853	6,386
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	75	102	103	110	38	48	8	26
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	—
Current portion of bonds payable		90	105	110	180	115	110	—	90
Total current liabilities		165	207	213	290	153	158	8	116
Noncurrent liabilities:									
Bonds payable, net		5,283	7,328	7,271	7,873	8,305	10,316	1,758	5,530
Accrued arbitrage rebate		4	6	3	2	2	—	—	—
Total noncurrent liabilities		5,287	7,334	7,274	7,875	8,307	10,316	1,758	5,530
Total liabilities		5,452	7,541	7,487	8,165	8,460	10,474	1,766	5,646
Net assets restricted for debt service		718	598	597	658	651	611	87	740
Total liabilities and net assets	$	6,170	8,139	8,084	8,823	9,111	11,085	1,853	6,386

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**1999 Series E**	**1999 Series F**	**2000 Series A**	**2000 Series B**	**2000 Series C**	**2000 Series D**	**2000 Series E**	**2000 Second Mortgage Series F**
Current assets:								
Restricted cash and cash equivalents	$ 55	70	60	25	10	—	40	—
Accrued interest receivable	41	29	25	24	20	29	40	1
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(2)	(1)	(1)	(1)	(1)	(1)	(2)	—
Total current assets	94	98	84	48	29	28	78	1
Noncurrent assets:								
Restricted cash and cash equivalents	319	87	427	335	130	230	528	208
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	7,444	5,164	4,104	4,026	3,332	5,072	6,854	—
Unrealized gain (loss) on securitized mortgage loans	66	88	130	79	89	96	106	—
Securitized mortgage loans, net	7,510	5,252	4,234	4,105	3,421	5,168	6,960	—
Restricted mortgage loans, net	—	—	—	—	—	—	—	215
Bond issuance costs, net	64	48	38	39	29	49	61	7
Total noncurrent assets	7,893	5,387	4,699	4,479	3,580	5,447	7,549	430
Total assets	$ 7,987	5,485	4,783	4,527	3,609	5,475	7,627	431
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 38	27	24	21	17	27	36	1
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	1
Current portion of bonds payable	55	70	60	25	10	—	40	—
Total current liabilities	93	97	84	46	27	27	76	2
Noncurrent liabilities:								
Bonds payable, net	7,373	5,119	4,194	4,042	3,329	5,215	7,076	195
Accrued arbitrage rebate	3	3	9	4	3	13	12	—
Total noncurrent liabilities	7,376	5,122	4,203	4,046	3,332	5,228	7,088	195
Total liabilities	7,469	5,219	4,287	4,092	3,359	5,255	7,164	197
Net assets restricted for debt service	518	266	496	435	250	220	463	234
Total liabilities and net assets	$ 7,987	5,485	4,783	4,527	3,609	5,475	7,627	431

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

		Single Family Mortgage Programs							
Assets		**2001 Series A**	**2001 Series B**	**2001 Series C**	**2001 Series D**	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**
Current assets:									
Restricted cash and cash equivalents	$	110	140	125	140	90	130	145	160
Accrued interest receivable		44	42	41	43	38	47	49	42
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		(2)	(2)	(2)	(1)	(1)	(2)	(2)	(2)
Total current assets		152	180	164	182	127	175	192	200
Noncurrent assets:									
Restricted cash and cash equivalents		216	192	518	457	385	250	622	532
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		8,876	8,097	7,568	8,925	7,281	9,678	9,791	8,811
Unrealized gain (loss) on securitized mortgage loans		(126)	(12)	12	(176)	(36)	(94)	(76)	(180)
Securitized mortgage loans, net		8,750	8,085	7,580	8,749	7,245	9,584	9,715	8,631
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		79	76	76	90	74	97	103	93
Total noncurrent assets		9,045	8,353	8,174	9,296	7,704	9,931	10,440	9,256
Total assets	$	9,197	8,533	8,338	9,478	7,831	10,106	10,632	9,456
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	40	39	37	41	35	45	47	41
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	—
Current portion of bonds payable		110	140	125	140	90	130	145	160
Total current liabilities		150	179	162	181	125	175	192	201
Noncurrent liabilities:									
Bonds payable, net		8,576	8,047	7,847	9,101	7,320	9,743	10,338	9,219
Accrued arbitrage rebate		—	—	—	—	—	—	—	—
Total noncurrent liabilities		8,576	8,047	7,847	9,101	7,320	9,743	10,338	9,219
Total liabilities		8,726	8,226	8,009	9,282	7,445	9,918	10,530	9,420
Net assets restricted for debt service		471	307	329	196	386	188	102	36
Total liabilities and net assets	$	9,197	8,533	8,338	9,478	7,831	10,106	10,632	9,456

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs							
Assets	**2002 Series E**	**2002 Series F**	**2003 Series A**	**2003 Series B**	**2003 Series C**	**2003 Series D**	**2003 Series E**	**2004 Series A**
Current assets:								
Restricted cash and cash equivalents	$ 185	185	210	220	290	200	305	275
Accrued interest receivable	49	47	52	54	63	66	77	76
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(2)	(2)	(3)	(2)	(4)	(2)	(2)	(9)
Total current assets	232	230	259	272	349	264	380	342
Noncurrent assets:								
Restricted cash and cash equivalents	461	525	802	1,143	504	1,152	906	1,356
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	10,567	10,112	11,598	12,024	15,724	12,972	16,531	15,238
Unrealized gain (loss) on securitized mortgage loans	(249)	(265)	(498)	(559)	(1,079)	(277)	(643)	(731)
Securitized mortgage loans, net	10,318	9,847	11,100	11,465	14,645	12,695	15,888	14,507
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	110	107	127	139	169	139	168	164
Total noncurrent assets	10,889	10,479	12,029	12,747	15,318	13,986	16,962	16,027
Total assets	$ 11,121	10,709	12,288	13,019	15,667	14,250	17,342	16,369
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 46	45	50	54	59	64	74	196
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	—
Current portion of bonds payable	185	185	210	220	290	200	305	275
Total current liabilities	231	230	260	274	349	264	379	471
Noncurrent liabilities:								
Bonds payable, net	10,840	10,414	12,187	13,144	16,285	13,973	17,210	16,307
Accrued arbitrage rebate	—	—	—	—	—	2	1	—
Total noncurrent liabilities	10,840	10,414	12,187	13,144	16,285	13,975	17,211	16,307
Total liabilities	11,071	10,644	12,447	13,418	16,634	14,239	17,590	16,778
Net assets restricted for debt service	50	65	(159)	(399)	(967)	11	(248)	(409)
Total liabilities and net assets	$ 11,121	10,709	12,288	13,019	15,667	14,250	17,342	16,369

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets	Single Family Mortgage Programs							
Assets	**2004 Series B**	**2004 Series C**	**2004 Series D**	**2004 Series E**	**2005 Series A**	**2005 Series B**	**2005 Series C**	**2005 General Indenture**
Current assets:								
Restricted cash and cash equivalents	$ 330	310	335	340	375	365	355	4,135
Accrued interest receivable	88	99	116	106	110	123	116	4,479
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(10)	(12)	(12)	(15)	(14)	—	(13)	(282)
Total current assets	408	397	439	431	471	488	458	8,332
Noncurrent assets:								
Restricted cash and cash equivalents	2,527	2,086	2,044	2,049	1,969	2,944	1,820	191,114
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	16,890	18,158	21,060	20,242	22,320	22,961	22,645	426,253
Unrealized gain (loss) on securitized mortgage loans	(974)	(501)	(535)	(784)	(940)	(982)	(1,083)	(11,652)
Securitized mortgage loans, net	15,916	17,657	20,525	19,458	21,380	21,979	21,562	414,601
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	161	170	191	192	211	227	220	5,219
Total noncurrent assets	18,604	19,913	22,760	21,699	23,560	25,150	23,602	610,934
Total assets	$ 19,012	20,310	23,199	22,130	24,031	25,638	24,060	619,266
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 216	260	309	273	295	338	303	7,695
Accounts payable and other accrued expenses	—	—	—	—	—	—	—	15
Current portion of bonds payable	330	310	335	340	375	365	355	4,135
Total current liabilities	546	570	644	613	670	703	658	11,845
Noncurrent liabilities:								
Bonds payable, net	19,100	19,952	22,745	22,010	23,967	25,463	24,065	602,408
Accrued arbitrage rebate	—	—	—	—	—	—	—	—
Total noncurrent liabilities	19,100	19,952	22,745	22,010	23,967	25,463	24,065	602,408
Total liabilities	19,646	20,522	23,389	22,623	24,637	26,166	24,723	614,253
Net assets restricted for debt service	(634)	(212)	(190)	(493)	(606)	(528)	(663)	5,013
Total liabilities and net assets	$ 19,012	20,310	23,199	22,130	24,031	25,638	24,060	619,266

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Single Family Mortgage Programs		
Assets	**2006 Draw Down**	**2007 Draw Down**	**Total Single Family Mortgage Programs**
Current assets:			
Restricted cash and cash equivalents	$ —	—	10,780
Accrued interest receivable	—	—	6,700
Other current assets	—	—	—
Intra-entity receivable (payable)	—	—	(452)
Total current assets	—	—	17,028
Noncurrent assets:			
Restricted cash and cash equivalents	—	254,986	480,794
Restricted investments and reserve funds, net	—	—	—
Restricted securitized mortgage loans, net:			
Securitized mortgage loans, net cost	—	—	854,487
Unrealized gain (loss) on securitized mortgage loans	—	—	(21,770)
Securitized mortgage loans, net	—	—	832,717
Restricted mortgage loans, net	—	—	215
Bond issuance costs, net	—	39	9,424
Total noncurrent assets	—	255,025	1,323,150
Total assets	$ —	255,025	1,340,178
Liabilities and Net Assets			
Current liabilities:			
Accrued interest payable	$ —	—	11,598
Accounts payable and other accrued expenses	—	1	17
Current portion of bonds payable	—	—	10,780
Total current liabilities	—	1	22,395
Noncurrent liabilities:			
Bonds payable, net	—	254,611	1,305,183
Accrued arbitrage rebate	15	374	487
Total noncurrent liabilities	15	254,985	1,305,670
Total liabilities	15	254,986	1,328,065
Net assets restricted for debt service	(15)	39	12,113
Total liabilities and net assets	$ —	255,025	1,340,178

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs 1994 Series A	1994 Series B	1994 Series C	1994 Series D	1994 Series E	1994 Series F	1995 Series H	1996 Series E
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 78	80	75	72	108	88	99	125
Interest on securities and temporary investments	6	7	3	8	7	18	12	19
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	9	6	10	7	9	1	(113)	(131)
Loan and commitment fees	—	—	—	—	—	—	6	3
Administrative fees and other	(1)	(2)	(2)	(2)	(4)	(2)	(6)	(8)
Total operating revenues	92	91	86	85	120	105	(2)	8
Operating expenses:								
Interest	71	79	67	82	103	59	112	118
Amortization of bond issuance costs	4	4	3	5	3	8	10	4
Administrative fees and other	—	—	—	—	—	—	1	3
Total operating expenses	75	83	70	87	106	67	123	125
Operating income (loss)	17	8	16	(2)	14	38	(125)	(117)
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	(404)	(900)
Change in net assets	17	8	16	(2)	14	38	(529)	(1,017)
Total net assets – beginning	266	183	180	67	217	685	529	1,017
Total net assets – ending	$ 283	191	196	65	231	723	—	—
Net cash provided (used) by:								
Operating activities	$ 271	396	230	351	324	449	2,932	3,185
Noncapital financing activities	(392)	(294)	(235)	(448)	(295)	(740)	(3,549)	(3,590)
Investing activities	8	6	3	9	6	21	21	23
Net increase (decrease)	(113)	108	(2)	(88)	35	(270)	(596)	(382)
Cash and cash equivalents, beginning of year	176	85	34	171	104	379	596	382
Cash and cash equivalents, end of year	$ 63	193	32	83	139	109	—	—

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs							
	1996 Series G	**1997 Series A**	**1997 Series B**	**1997 Series C**	**1997 Series E**	**1997 Series F**	**1997 Series G**	**1998 Series A**
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 132	106	125	105	188	190	393	516
Interest on securities and temporary investments	20	15	24	26	25	30	54	54
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(116)	(90)	(116)	(91)	(172)	(158)	(58)	(38)
Loan and commitment fees	5	3	3	7	5	6	17	19
Administrative fees and other	(8)	(7)	(5)	(7)	(12)	(12)	(24)	(33)
Total operating revenues	33	27	31	40	34	56	382	518
Operating expenses:								
Interest	141	117	140	114	202	214	394	451
Amortization of bond issuance costs	6	4	5	9	6	8	21	23
Administrative fees and other	2	2	2	2	1	1	1	1
Total operating expenses	149	123	147	125	209	223	416	475
Operating income (loss)	(116)	(96)	(116)	(85)	(175)	(167)	(34)	43
Other financing sources (uses) – operating transfers	(503)	(313)	(442)	(522)	(384)	(275)	—	—
Change in net assets	(619)	(409)	(558)	(607)	(559)	(442)	(34)	43
Total net assets – beginning	619	409	558	607	569	455	361	819
Total net assets – ending	$ —	—	—	—	10	13	327	862
Net cash provided (used) by:								
Operating activities	$ 3,831	3,235	3,810	2,983	6,096	6,399	2,125	2,744
Noncapital financing activities	(4,538)	(3,667)	(4,284)	(3,993)	(6,735)	(7,266)	(2,682)	(2,520)
Investing activities	28	19	26	36	28	38	59	55
Net increase (decrease)	(679)	(413)	(448)	(974)	(611)	(829)	(498)	279
Cash and cash equivalents, beginning of year	679	413	448	974	631	852	1,038	942
Cash and cash equivalents, end of year	$ —	—	—	—	20	23	540	1,221

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs							
	1998 Series B	1998 Series C	1998 Series D	1998 Series E	1999 Series A	1999 Series B	1999 Series C	1999 Series D
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 324	413	400	416	473	606	103	376
Interest on securities and temporary investments	59	68	54	57	70	52	3	58
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(30)	(10)	4	27	2	(7)	(7)	5
Loan and commitment fees	27	23	20	19	26	20	1	16
Administrative fees and other	(21)	(27)	(27)	(30)	(32)	(40)	(6)	(23)
Total operating revenues	359	467	451	489	539	631	94	432
Operating expenses:								
Interest	304	396	378	407	473	589	93	374
Amortization of bond issuance costs	26	28	23	21	31	23	2	18
Administrative fees and other	1	1	1	1	1	1	—	1
Total operating expenses	331	425	402	429	505	613	95	393
Operating income (loss)	28	42	49	60	34	18	(1)	39
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—	—
Change in net assets	28	42	49	60	34	18	(1)	39
Total net assets – beginning	690	556	548	598	617	593	88	701
Total net assets – ending	$ 718	598	597	658	651	611	87	740
Net cash provided (used) by:								
Operating activities	$ 1,706	1,991	2,173	2,532	2,928	2,354	145	2,075
Noncapital financing activities	(2,943)	(3,168)	(2,604)	(2,483)	(3,389)	(2,654)	(152)	(2,184)
Investing activities	69	77	55	56	72	53	3	57
Net increase (decrease)	(1,168)	(1,100)	(376)	105	(389)	(247)	(4)	(52)
Cash and cash equivalents, beginning of year	1,969	1,907	1,455	1,132	880	900	27	573
Cash and cash equivalents, end of year	$ 801	807	1,079	1,237	491	653	23	521

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs 1999 Series E	1999 Series F	2000 Series A	2000 Series B	2000 Series C	2000 Series D	2000 Series E	2000 Second Mortgage Series F
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 464	330	312	271	225	352	458	16
Interest on securities and temporary investments	53	37	27	52	37	66	68	10
Loss on sale of assets	—	—	—	—	—	—	—	(37)
Net increase (decrease) in fair value of investments	29	12	32	50	38	38	18	—
Loan and commitment fees	18	11	7	18	12	21	24	—
Administrative fees and other	(28)	(19)	(16)	(16)	(13)	(20)	(27)	—
Total operating revenues	536	371	362	375	299	457	541	(11)
Operating expenses:								
Interest	467	340	306	282	231	395	471	15
Amortization of bond issuance costs	20	14	9	19	12	21	22	4
Administrative fees and other	1	1	1	1	1	1	2	3
Total operating expenses	488	355	316	302	244	417	495	22
Operating income (loss)	48	16	46	73	55	40	46	(33)
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—	—
Change in net assets	48	16	46	73	55	40	46	(33)
Total net assets – beginning	470	250	450	362	195	180	417	267
Total net assets – ending	$ 518	266	496	435	250	220	463	234
Net cash provided (used) by:								
Operating activities	$ 1,929	1,287	1,235	1,590	826	2,058	2,472	115
Noncapital financing activities	(2,388)	(1,519)	(994)	(2,040)	(1,413)	(2,502)	(2,569)	(96)
Investing activities	54	38	26	55	39	67	67	(26)
Net increase (decrease)	(405)	(194)	267	(395)	(548)	(377)	(30)	(7)
Cash and cash equivalents, beginning of year	779	351	220	755	688	607	598	215
Cash and cash equivalents, end of year	$ 374	157	487	360	140	230	568	208

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs							
	2001 Series A and Issue 1	2001 Series B	2001 Series C	2001 Series D	2002 Series A	2002 Series B	2002 Series C	2002 Series D
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 512	480	458	503	432	556	582	480
Interest on securities and temporary investments	65	40	62	49	69	70	63	73
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(28)	(18)	(18)	(20)	(27)	1	(7)	(6)
Loan and commitment fees	30	18	26	26	29	33	28	33
Administrative fees and other	(33)	(30)	(29)	(13)	(18)	(30)	(29)	(22)
Total operating revenues	546	490	499	545	485	630	637	558
Operating expenses:								
Interest	525	473	468	513	467	584	605	523
Amortization of bond issuance costs	28	17	25	25	28	32	30	36
Administrative fees and other	1	1	3	3	3	3	3	1
Total operating expenses	554	491	496	541	498	619	638	560
Operating income (loss)	(8)	(1)	3	4	(13)	11	(1)	(2)
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—	—
Change in net assets	(8)	(1)	3	4	(13)	11	(1)	(2)
Total net assets – beginning	479	308	326	192	399	177	103	38
Total net assets – ending	$ 471	307	329	196	386	188	102	36
Net cash provided (used) by:								
Operating activities	$ 2,420	1,798	2,356	2,770	2,568	2,708	2,980	2,658
Noncapital financing activities	(3,003)	(1,873)	(2,592)	(2,558)	(2,983)	(3,345)	(3,088)	(3,660)
Investing activities	66	41	61	48	71	73	63	77
Net increase (decrease)	(517)	(34)	(175)	260	(344)	(564)	(45)	(925)
Cash and cash equivalents, beginning of year	843	366	818	337	819	944	812	1,617
Cash and cash equivalents, end of year	$ 326	332	643	597	475	380	767	692

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Notes to Financial Statements

Year ended September 30, 2007

(In thousands)

(18) Segment Financial Information

	Single Family Mortgage Programs							
Statements of Revenues, Expenses, and Changes in Net Assets	**2002 Series E**	**2002 Series F**	**2003 Series A**	**2003 Series B**	**2003 Series C**	**2003 Series D**	**2003 Series E**	**2004 Series A**
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 559	528	559	583	676	686	810	725
Interest on securities and temporary investments	62	67	86	85	59	113	108	83
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	10	14	50	72	72	12	39	48
Loan and commitment fees	34	39	52	51	51	57	65	57
Administrative fees and other	(23)	(22)	(38)	(22)	(47)	(25)	(24)	(43)
Total operating revenues	642	626	709	769	811	843	998	870
Operating expenses:								
Interest	583	555	600	653	679	780	884	745
Amortization of bond issuance costs	35	36	50	48	45	56	53	56
Administrative fees and other	1	1	1	1	1	1	1	1
Total operating expenses	619	592	651	702	725	837	938	802
Operating income (loss)	23	34	58	67	86	6	60	68
Other financing sources (uses) – operating transfers	(113)	—	—	—	—	—	—	—
Change in net assets	(90)	34	58	67	86	6	60	68
Total net assets – beginning	140	31	(217)	(466)	(1,053)	5	(308)	(477)
Total net assets – ending	$ 50	65	(159)	(399)	(967)	11	(248)	(409)
Net cash provided (used) by:								
Operating activities	$ 2,673	3,376	4,290	4,560	3,494	5,337	4,790	4,344
Noncapital financing activities	(3,516)	(3,606)	(4,744)	(4,621)	(4,371)	(5,723)	(5,658)	(5,471)
Investing activities	63	68	88	86	60	113	108	87
Net increase (decrease)	(780)	(162)	(366)	25	(817)	(273)	(760)	(1,040)
Cash and cash equivalents, beginning of year	1,426	872	1,378	1,338	1,611	1,625	1,971	2,671
Cash and cash equivalents, end of year	$ 646	710	1,012	1,363	794	1,352	1,211	1,631

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs							
	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C	2005 General Indenture
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 787	978	1,104	1,024	1,139	1,271	1,151	15,777
Interest on securities and temporary investments	141	115	160	117	92	98	69	6,400
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	166	14	27	94	4	11	19	(6,627)
Loan and commitment fees	65	57	63	60	43	39	29	295
Administrative fees and other	(48)	(54)	(56)	(70)	(59)	—	(40)	(865)
Total operating revenues	1,111	1,110	1,298	1,225	1,219	1,419	1,228	14,980
Operating expenses:								
Interest	821	1,030	1,228	1,067	1,146	1,368	1,170	20,371
Amortization of bond issuance costs	63	55	72	60	48	46	32	274
Administrative fees and other	1	1	1	1	1	1	3	42
Total operating expenses	885	1,086	1,301	1,128	1,195	1,415	1,205	20,687
Operating income (loss)	226	24	(3)	97	24	4	23	(5,707)
Other financing sources (uses) – operating transfers	—	—	—	—	2	4	(115)	6,408
Change in net assets	226	24	(3)	97	26	8	(92)	701
Total net assets – beginning	(860)	(236)	(187)	(590)	(632)	(536)	(571)	4,312
Total net assets – ending	$ (634)	(212)	(190)	(493)	(606)	(528)	(663)	5,013
Net cash provided (used) by:								
Operating activities	$ 6,162	5,847	7,782	6,505	5,720	6,925	4,079	(217,775)
Noncapital financing activities	(7,378)	(6,637)	(8,895)	(6,999)	(5,702)	(5,640)	(3,941)	307,123
Investing activities	129	123	163	114	92	86	67	5,534
Net increase (decrease)	(1,087)	(667)	(950)	(380)	110	1,371	205	94,882
Cash and cash equivalents, beginning of year	3,944	3,063	3,329	2,769	2,234	1,938	1,970	100,367
Cash and cash equivalents, end of year	$ 2,857	2,396	2,379	2,389	2,344	3,309	2,175	195,249

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs: 2006 Draw Down	2007 Draw Down	Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$ —	—	40,379
Interest on securities and temporary investments	8,058	3,148	20,651
Loss on sale of assets	—	—	(37)
Net increase (decrease) in fair value of investments	—	—	(6,938)
Loan and commitment fees	—	—	1,617
Administrative fees and other	—	—	(2,120)
Total operating revenues	8,058	3,148	53,552
Operating expenses:			
Interest	8,057	3,148	57,028
Amortization of bond issuance costs	19	4	1,689
Administrative fees and other	16	1	128
Total operating expenses	8,092	3,153	58,845
Operating income (loss)	(34)	(5)	(5,293)
Other financing sources (uses) – operating transfers	10	44	2,497
Change in net assets	(24)	39	(2,796)
Total net assets – beginning	9	—	14,909
Total net assets – ending	$ (15)	39	12,113
Net cash provided (used) by:			
Operating activities	$ (7)	45	(54,818)
Noncapital financing activities	(257,398)	251,420	116,815
Investing activities	9,398	3,521	21,548
Net increase (decrease)	(248,007)	254,986	83,545
Cash and cash equivalents, beginning of year	248,007	—	408,029
Cash and cash equivalents, end of year	$ —	254,986	491,574

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Rental Housing Mortgage Programs						
Assets	**1987 Series A, B**	**1995 Series A**	**1997 Series A**	**1997 Series B**	**1998 Series A, B**	**2001 Series A, B, C, D**	**2001 Series E**
Current assets:							
Restricted cash and cash equivalents	$ —	—	—	80	174	15	105
Accrued interest receivable	1	—	13	19	1	84	3
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(1)	—	—	(1)	(3)	(12)	(6)
Total current assets	—	—	13	98	172	87	102
Noncurrent assets:							
Restricted cash and cash equivalents	—	—	1	15	—	329	214
Note receivable	9,900	—	—	—	—	—	—
Securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	3,744	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	11	—	—	—
Total securitized mortgage loans, net	—	—	—	3,755	—	—	—
Mortgage loans, net	—	—	3,186	—	8,498	19,015	9,645
Bond issuance costs, net	—	—	—	—	—	—	—
Total noncurrent assets	9,900	—	3,187	3,770	8,498	19,344	9,859
Total assets	$ 9,900	—	3,200	3,868	8,670	19,431	9,961
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ —	—	12	52	112	238	201
Accounts payable and other accrued expenses	—	—	1	—	6	2	25
Current portion of bonds payable	—	—	52	80	190	15	105
Total current liabilities	—	—	65	132	308	255	331
Noncurrent liabilities:							
Bonds payable, net	9,900	—	3,178	3,620	8,355	19,000	9,590
Accrued arbitrage rebate	—	—	—	25	1	—	—
Total noncurrent liabilities	9,900	—	3,178	3,645	8,356	19,000	9,590
Total liabilities	9,900	—	3,243	3,777	8,664	19,255	9,921
Net assets restricted for debt service	—	—	(43)	91	6	176	40
Total liabilities and net assets	$ 9,900	—	3,200	3,868	8,670	19,431	9,961

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets	Rental Housing Mortgage Programs						
Assets	**2002 Series A, B**	**2003 Series A, B**	**2004 Series A, B**	**2004 Series C, D**	**2004 Series E**	**2004 Series F, G**	**2005 Series A, B**
Current assets:							
Restricted cash and cash equivalents	$ 110	120	220	135	66	125	130
Accrued interest receivable	50	40	42	56	42	49	51
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	(1)	—	—
Total current assets	160	160	262	191	107	174	181
Noncurrent assets:							
Restricted cash and cash equivalents	463	270	288	374	—	391	356
Note receivable	—	—	—	—	—	—	—
Securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	—	—
Total securitized mortgage loans, net	—	—	—	—	—	—	—
Mortgage loans, net	9,172	8,769	9,261	11,736	7,449	10,541	11,269
Bond issuance costs, net	185	80	224	84		51	113
Total noncurrent assets	9,820	9,119	9,773	12,194	7,449	10,983	11,738
Total assets	$ 9,980	9,279	10,035	12,385	7,556	11,157	11,919
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 143	40	41	56	40	48	49
Accounts payable and other accrued expenses	—	—	—	—	1	—	—
Current portion of bonds payable	110	120	220	135	68	125	130
Total current liabilities	253	160	261	191	109	173	179
Noncurrent liabilities:							
Bonds payable, net	9,842	9,130	9,555	12,260	7,387	10,990	11,760
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	9,842	9,130	9,555	12,260	7,387	10,990	11,760
Total liabilities	10,095	9,290	9,816	12,451	7,496	11,163	11,939
Net assets restricted for debt service	(115)	(11)	219	(66)	60	(6)	(20)
Total liabilities and net assets	$ 9,980	9,279	10,035	12,385	7,556	11,157	11,919

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets		Rental Housing Mortgage Programs					
Assets		**2005 Series C, D**	**2005 Series E, F**	**2006 Series A**	**2007 Series A, B**	**2007 Series C, D**	**Total Rental Housing Mortgage Programs**
Current assets:							
Restricted cash and cash equivalents	$	40	150	—	45	—	1,515
Accrued interest receivable		16	54	199	16	57	793
Other current assets		—	—	6	—	—	6
Intra-entity receivable (payable)		—	—	—	—	(5)	(29)
Total current assets		56	204	205	61	52	2,285
Noncurrent assets:							
Restricted cash and cash equivalents		146	347	47	2,394	4,945	10,580
Note receivable		—	—	—	—	—	9,900
Securitized mortgage loans, net:							
Securitized mortgage loans, net cost		—	—	—	—	—	3,744
Unrealized gain (loss) securitized mortgage loans		—	—	—	—	—	11
Total securitized mortgage loans, net		—	—	—	—	—	3,755
Mortgage loans, net		3,926	12,456	9,230	3,475	9,134	146,762
Bond issuance costs, net		—	190	—	—	—	927
Total noncurrent assets		4,072	12,993	9,277	5,869	14,079	171,924
Total assets	$	4,128	13,197	9,482	5,930	14,131	174,209
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	16	53	72	56	110	1,339
Accounts payable and other accrued expenses		1	—	(2)	1	—	35
Current portion of bonds payable		40	150	—	45	—	1,585
Total current liabilities		57	203	70	102	110	2,959
Noncurrent liabilities:							
Bonds payable, net		4,133	13,040	9,230	5,963	14,060	170,993
Accrued arbitrage rebate		—	—	—	—	—	26
Total noncurrent liabilities		4,133	13,040	9,230	5,963	14,060	171,019
Total liabilities		4,190	13,243	9,300	6,065	14,170	173,978
Net assets restricted for debt service		(62)	(46)	182	(135)	(39)	231
Total liabilities and net assets	$	4,128	13,197	9,482	5,930	14,131	174,209

(Continued)

(In thousands)

(18) Segment Financial Information

	Rental Housing Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets	**1987 Series A, B**	**1995 Series A**	**1997 Series A**	**1997 Series B**	**1998 Series A, B**	**2001 Series A, B, C, D**	**2001 Series E**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 758	156	226	218	455	1,007	578
Interest on securities and temporary investments	—	—	—	6	—	15	—
Net increase (decrease) in fair value of investments	—	—	—	(5)	—	—	—
Loan and commitment fees	—	10	1	—	—	—	—
Administrative fees and other	(12)	(6)	(8)	(5)	35	(48)	5
Total operating revenues	746	160	219	214	490	974	583
Operating expenses:							
Interest expense	718	140	210	209	455	951	577
Amortization of bond issuance costs	—	—	—	—	—	—	—
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	28	(2)	10	2	34	6	5
Total operating expenses	746	138	220	211	489	957	582
Operating income (loss)	—	22	(1)	3	1	17	1
Other financing sources (uses) – operating transfers	—	(4)	2	—	—	—	—
Change in net assets	—	18	1	3	1	17	1
Total net assets – beginning	—	(18)	(44)	88	5	159	39
Total net assets – ending	$ —	—	(43)	91	6	176	40
Condensed Statement of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 718	3,932	258	279	632	953	695
Noncapital financing activities	(718)	(3,933)	(258)	(281)	(637)	(950)	(690)
Investing activities	—	—	—	6	—	16	—
Net increase (decrease)	—	(1)	—	4	(5)	19	5
Cash and cash equivalents, beginning of year	—	1	1	91	179	325	314
Cash and cash equivalents, end of year	$ —	—	1	95	174	344	319

(In thousands)

(18) Segment Financial Information

	Rental Housing Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets	**2002 Series A, B**	**2003 Series A, B**	**2004 Series A, B**	**2004 Series C, D**	**2004 Series E**	**2004 Series F, G**	**2005 Series A, B**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 559	475	491	653	500	572	599
Interest on securities and temporary investments	21	14	23	26	2	65	21
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—
Loan and commitment fees	8	7	8	11	—	9	10
Administrative fees and other	—	—	—	—	(11)	—	—
Total operating revenues	588	496	522	690	491	646	630
Operating expenses:							
Interest expense	557	481	500	675	485	582	597
Amortization of bond issuance costs	9	4	11	4	—	2	5
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	1	2	3	3	2	3	3
Total operating expenses	567	487	514	682	487	587	605
Operating income (loss)	21	9	8	8	4	59	25
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net assets	21	9	8	8	4	59	25
Total net assets – beginning	(136)	(20)	211	(74)	56	(65)	(45)
Total net assets – ending	$ (115)	(11)	219	(66)	60	(6)	(20)
Condensed Statement of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 661	578	689	776	497	637	719
Noncapital financing activities	(677)	(592)	(711)	(805)	(490)	(702)	(723)
Investing activities	21	14	23	26	2	65	21
Net increase (decrease)	5	—	1	(3)	9	—	17
Cash and cash equivalents, beginning of year	568	390	507	512	57	516	469
Cash and cash equivalents, end of year	$ 573	390	508	509	66	516	486

(Continued)

(In thousands)

(18) Segment Financial Information

		Rental Housing Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2005 Series C, D**	**2005 Series E, F**	**2006 Series A**	**2007 Series A, B**	**2007 Series C, D**	**Total Rental Housing Programs**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	195	635	198	42	171	8,488
Interest on securities and temporary investments		11	17	127	3	27	378
Net increase (decrease) in fair value of investments		—	—	—	—	—	(5)
Loan and commitment fees		4	11	—	1	—	80
Administrative fees and other		—	—	205	—	(5)	150
Total operating revenues		210	663	530	46	193	9,091
Operating expenses:							
Interest expense		196	645	341	57	232	8,608
Amortization of bond issuance costs		(1)	6	—	—	—	40
Provision (recovery) for loan losses		—	—	—	—	—	—
Administrative fees and other		2	4	7	6	—	119
Total operating expenses		197	655	348	63	232	8,767
Operating income (loss)		13	8	182	(17)	(39)	324
Other financing sources (uses) – operating transfers		—	—	—	(118)	—	(120)
Change in net assets		13	8	182	(135)	(39)	204
Total net assets – beginning		(75)	(54)	—	—	—	27
Total net assets – ending	$	(62)	(46)	182	(135)	(39)	231
Condensed Statement of Cash Flows							
Net cash provided by (used in):							
Operating activities	$	239	770	(8,915)	(3,572)	(9,012)	(8,466)
Noncapital financing activities		(237)	(786)	8,961	6,008	13,938	15,717
Investing activities		11	17	1	3	19	245
Net increase (decrease)		13	1	47	2,439	4,945	7,496
Cash and cash equivalents, beginning of year		173	496	—	—	—	4,599
Cash and cash equivalents, end of year	$	186	497	47	2,439	4,945	12,095

SINGLE AUDIT INFORMATION

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2008

Federal grantor/program title	Federal CFDA number	Most recent grant agreement		Expenditures
U.S. Department of Agriculture:				
Section 538 Rural Rental Housing Guaranteed Loans	10.438	N/A	$	1,140,180
Rural Community Development Initiative	10.446	N/A		39,536
Total U.S. Department of Agriculture				1,179,716
U.S. Department of Housing and Urban Development:				
Mortgage Insurance – Homes (FHA)	14.117	N/A		5,120,247
Housing Counseling Program	14.169	HC05-0899-002		158,656
542(c) Risk Sharing Program *	14.188	N/A		90,558,368
Emergency Shelter Grants Program	14.231	S06DC3-50001		673,291
HOME Investment Partnerships Program	14.239	M06SG-35-0100		7,414,272
Housing Opportunities for Persons with AIDS	14.241	NMH06-F-999		519,019
Rural Housing and Economic Development Program	14.250	RH-05-NM-I-0022		351,367
Training and Technical Assistance	14.227	NMHM00104		56,596
Community Development Block Grant	14.228	06-C-NR-I-7-G-35		166,318
Section 8 Housing Choice Vouchers *	14.871	NM800CC001		23,794,014
Total U.S. Department of Housing and Urban Development				128,812,148
U.S. Department of the Treasury, pass-through from Neighborworks America				
National Foreclosure Mitigation Counseling	21.000	PL110-161:95X1350		68,917
U.S. Department of Energy:				
Weatherization Assistance for Low-Income Persons	81.042	DE-F626-03R830006, A005		1,404,754
U.S. Department of Health and Human Services pass-through from the New Mexico Department of Human Services JPA 03-43:				
Low-Income Home Energy Assistance Program	93.568	N/A		1,120,644
Total federal awards			$	132,586,179

* Major program as defined by OMB Circular A-133.

See accompanying notes to schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of New Mexico Mortgage Finance Authority (the Authority) and is presented on the accrual basis of accounting. The Authority's reporting entity is defined in note 1 to the Authority's financial statements. All federal financial assistance received from federal agencies, including amounts passed through from other governmental entities and disbursed by the Authority, is included in the Schedule in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Relationship to the Authority's Financial Statements

Federal financial assistance program expenditures as presented in the accompanying Schedule do not represent operating expenditures of the Authority, but represent federal financial assistance payments disbursed by the Authority during the year ended September 30, 2008 or federally insured loans as described in note 3.

(3) Mortgage Insurance and Guarantees

Certain mortgage loans of the Authority are insured by the Federal Housing Administration (FHA) and partially guaranteed by the Veterans Administration (VA). At September 30, 2008, the Authority serviced $5,120,000 of FHA insured loans. These serviced loans are included on the accompanying Schedule.

The Authority participates in the Risk Sharing loan program, under which the Department of Housing and Urban Development (HUD) provides credit enhancements for multi-family housing project loans. HUD and the Authority share in the risk of loss on the mortgage. HUD has assumed 90% of the risk in 39 loans. HUD's assumed risk approximated $110,412,000 at September 30, 2008. Of the 39 loans closed, the Authority funded 26 loans with outstanding principal of $100,620,000 at September 30, 2008. HUD's assumed risk of loss of approximately $90,558,000 related to these 26 loans is recorded in the accompanying Schedule.

The Authority participates in the Section 538 Rural Rental Housing Guaranteed loan program, under which the Rural Housing Service (RHS), Department of Agriculture (USDA), provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority. At September 30, 2008, the loan had an outstanding principal of $1,267,000, of which the USDA assumed risk of loss of approximately $1,140,000 recorded in the accompanying Schedule.

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

(Continued)

(5) Subrecipients

Of the federal expenditures presented in the Schedule, the Authority provided federal awards to subrecipients as follows:

Federal grants/program title	Federal CFDA number		Amount provided to subrecipients
U.S. Department of Agriculture:			
Rural Community Development Initiative	10.446	$	39,536
U.S. Department of Housing and Urban Development:			
Housing Counseling Program	14.169		144,750
Emergency Shelter Grants Program	14.231		654,148
HOME Investment Partnerships Program	14.239		6,826,434
Housing Opportunities for Persons with AIDS	14.241		500,177
Rural Housing and Economic Development Program	14.250		302,157
Community Development Block Grant	14.228		156,262
Section 8 Housing Choice Vouchers	14.871		22,573,050
Total U.S. Department of Housing and Urban Development			31,156,978
U.S. Department of the Treasury			
National Foreclosure Mitigation Counseling	21.000		62,566
U.S. Department of Energy:			
Weatherization Assistance Program	81.042		1,337,242
U.S. Department of Health and Human Services:			
Low-Income Home Energy Assistance Program	93.568		1,069,333
Total federal assistance awarded to subrecipients		$	33,665,655

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Authority Members
New Mexico Mortgage Finance Authority and
Mr. Hector Balderas, New Mexico State Auditor:

We have audited the financial statements of the business-type activities of the New Mexico Mortgage Finance Authority, a component unit of the State of New Mexico (the Authority), as of and for the year ended September 30, 2008, and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

January 23, 2009

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Authority Members
New Mexico Mortgage Finance Authority and
Mr. Hector Balderas, New Mexico State Auditor:

Compliance

We have audited the compliance of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the state of New Mexico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

January 23, 2009

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Summary Schedule of Prior Year Audit Findings

September 30, 2008

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Other Findings as required by New Mexico State Statute, Section 12-6-5, NMSA 1978

None

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Schedule of Findings and Questioned Costs
September 30, 2008

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	______	Yes	X	None reported
• Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	______	Yes	X	None reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______	Yes	X	No

Identification of major programs:

Program name	CFDA number
542 (c) Risk Sharing Program	14.188
Section 8 Housing Choice Vouchers	14.871

Dollar threshold used to distinguish between type A and type B programs $1,153,278

Auditee qualified as low-risk auditee?	X	Yes	______	No

Section II – Financial Statement Findings

No such findings were identified.

Section III – Federal Award Findings and Questioned Costs

No such findings were identified.

Section IV – Other Findings, as required by New Mexico State Statute, Section 12-6-5, NMSA 1978

No such findings were identified.

OTHER REQUIRED DISCLOSURES

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Schedule of Pledged Collateral for Public Funds

September 30, 2008

					Bank balance	Book balance
Wells Fargo NMMFA Housing Programs repurchase agreement				$	2,432,000	2,432,000
FDIC Insurance					(29,000)	
Uninsured public funds				$	2,403,000	
102% collateral requirement				$	2,451,060	
	CUSIP	**Rate**	**Maturity**			
Collateral (at fair value):						
FNMA pooled security	31415A2Z3	5.50%	5/1/2038	$	558,329	
FNMA pooled security	31371M7J0	5.50	2/1/2037		1,869,189	
FNMA pooled security	31409CEFG	6.00	2/1/2036		2,955,829	
FNMA pooled security	31409CW35	6.00	6/1/2036		528,635	
Total collateral (at fair value)				$	5,911,982	
Over collateral requirement				$	3,460,922	

Wells Fargo has pledged the above collateral, which is being held in safekeeping by Wells Fargo Brokerage Services/Wells Fargo Northwest.

See accompanying independent auditors' report.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Exit Conference

Year ended September 30, 2008

Exit Conference

An exit conference was conducted on January 13, 2009 in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority	
Justin Harper	Chair, Finance Committee
Mike Loftin	Finance Committee Member
Michael Sivage	Finance Committee Member
Jay Czar	Executive Director
Kathy Keeler	Financial Analyst
Yvonne Segovia	Controller
KPMG LLP	
John Kennedy	Partner
Jaime Clark	Manager