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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, 2009

(With Independent Auditors’ Report Thereon)

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

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

Board of Directors

September 30, 2009

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, 2009 and 2008, 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, 2009 and 2008, 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 4, 2010 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.

The 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 4, 2010

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, 2009 and 2008. 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):

	2009	2008	2007
Cash and cash equivalents (unrestricted and restricted)	$ 202,338	274,953	524,213
Investments (unrestricted and restricted)	154,141	36,481	43,428
Mortgage-backed securities and mortgage loans receivable	1,353,693	1,272,524	1,042,412
Total assets	1,743,190	1,614,744	1,641,626
Bonds payable	1,512,275	1,441,952	1,491,035
Total liabilities	1,538,017	1,467,294	1,511,980
Total net assets	205,173	147,450	129,646
Total operating revenues	135,848	93,233	75,533
Total operating expenses	79,245	78,521	75,533
Total nonoperating revenues	1,120	3,092	757
Operating gain	56,603	14,712	—
Change in net assets	57,723	17,804	757

Financial Position

The net assets of the Authority increased $57.7 million from September 30, 2008 to September 30, 2009 and increased $17.8 million from September 30, 2007 to September 30, 2008. The following table is a condensed summary of net assets at September 30, 2009, 2008, and 2007 (in thousands):

		2009	2008	2007
Assets:				
Current assets	$	179,657	179,178	42,053
Noncurrent assets		1,563,533	1,435,566	1,599,573
Total assets		1,743,190	1,614,744	1,641,626
Liabilities:				
Current liabilities		166,019	163,572	29,009
Noncurrent liabilities		1,371,998	1,303,722	1,482,971
Total liabilities		1,538,017	1,467,294	1,511,980
Net assets:				
Invested in capital assets, net of related debt		(661)	(586)	(463)
Restricted		79,995	23,627	12,475
Restricted for land title trust and housing trust		18,111	17,250	13,720
Unrestricted		107,728	107,159	103,914
Total net assets	$	205,173	147,450	129,646

Comparison of Years Ended September 30, 2009 and 2008

The decrease in cash and cash equivalents reflects a reclassification of $125.5 of cash and cash equivalents to investments offset by increased repayments from securitized mortgage loans (mortgage-backed securities or MBSs), mortgage loan prepayments (payoffs), and excess revenues held at September 30, 2009 in anticipation of bond redemptions scheduled for January 1, plus the $24.7 million increase in acquisition fund balances held to purchase MBS. As of September 30, 2009, the Authority was carrying $125.5 million in a Federal Home Loan Bank security resulting from a FHLB short-term bond utilized to hold 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. This borrowing was also issued to preserve current Cap. In previous years, before collapse of the market, the Authority had utilized a Draw Down facility for this purpose. Cap is the federally limited authority to issue certain tax-exempt bonds including mortgage revenue bonds. The short-term bond from FHLB will be refunded later 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 these short-term obligations and is transferred (recycled) from time to time to New Bonds as they are issued. The increase in investments is caused by the same reclassification discussed above offset by maturities in the General Fund bond ladder and fair market value adjustments related to the Authority's State Investment Council portfolio. The Authority purchased $156.7 million in MBSs and $21.6 million in whole loans during the year; however, MBS and whole loan purchases were offset by MBS prepayments of $120.1 million and whole loan prepayments of $1.3 million, reflected in the $81.2 million net increase of MBS and mortgage loans receivable. The overall effect of these elements resulted in the 8% increase in total assets.

Over the past year, the Authority experienced a $70.3 million net increase in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were $463.7 million; bond repayments and refundings totaled only $389.7 million, resulting in a net increase for the year. This net increase in bonds payable was primarily the result of demand for our Single Family Bond Program loans. The Authority received $137.6 million repayments of securitized mortgage loans and $9.3 million repayments of whole loans during the year.

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 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.

Change in Financial Position

The Authority's operating income for the year increased by approximately $41.9 million when compared to fiscal year 2008. The following table is a condensed summary of changes in net assets for the years ended September 30, 2009, 2008, and 2007 (in thousands):

	2009	2008	2007
Operating revenues:			
Interest on loans and MBS	$ 68,633	63,818	52,189
Interest on securities and investments	6,909	15,624	24,248
Program revenues	1,749	1,776	1,661
Net increase (decrease) in fair value of investments	55,269	9,678	(6,629)
Loan and commitment fees	1,434	1,583	1,706
Administrative fees and other revenues	1,854	754	2,358
Total operating revenues	135,848	93,233	75,533
Operating expenses:			
Interest expense	68,769	69,323	65,982
Administrative fees and other expenses	10,476	9,198	9,551
Total operating expenses	79,245	78,521	75,533
Operating income (loss)	56,603	14,712	—
Nonoperating revenues (expenses):			
Grant award income	42,781	37,002	38,382
Grant award expense	(42,781)	(37,002)	(38,382)
State appropriations	1,250	3,000	—
Land title trust contributions	25	100	757
Land title trust grant distributions	(155)	(8)	—
	1,120	3,092	757
Change in net assets	57,723	17,804	757
Total net assets, beginning of year	147,450	129,646	128,889
Total net assets, end of year	$ 205,173	147,450	129,646

Comparison of Years Ended September 30, 2009 and 2008

The change in fair value of securities for 2009 was an increase of $55.3 million compared to an increase of $9.7 million in 2008. This line represents an increase in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2009 compared to their fair value at September 30, 2008 due to current market conditions as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31). The effect of the change from 2008 to 2009 is an increase over prior year of $45.6 million. Without the GASB No. 31 adjustment, operating income decreased $3.7 million compared to prior year.

In 2009, the nonoperating revenues decreased by $2.0 million due to the Authority recognizing in 2009 $1.8 million less in state appropriations as the administrator of the New Mexico Housing Trust Fund, and also an increase of $.1 million of nonoperating revenue distributions 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 $42.6 million from 2008 to 2009, primarily due to the difference in the GASB No. 31 adjustment as described above. Without the GASB No. 31 adjustment, operating revenues were approximately $3.0 million less than 2008, as the low interest rate environment continued to moderate, affecting interest income related revenue. As a result of higher MBS and mortgage loan production throughout the prior year, the Authority experienced an increase in mortgage interest revenue of approximately $4.8 million in the current year. As rates continued to decline, interest revenue from investment securities decreased over the prior year by approximately $8.7 million.

Operating expenses increased by only $.7 million, 1%, primarily due to increased administrative costs of $1.3 million due to an increase in the Authority's Provision for Loan Losses. This increase was offset slightly by reduced interest expense of $.6 million due to an increase in bond redemptions due to prepayments. The increase in bonds payable didn't impact interest expense as would be expected because of the significant increase in prepayments during this fiscal year (42%).

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 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.

Debt Administration

During fiscal year 2009, the Authority issued $176.4 million of Single Family Program revenue bonds, $29 million less than the $205.4 million issued in 2008. The Authority redeemed $265.7 million of Single Family Program bonds due to prepayments, compared to $117.7 million in 2008. The Authority also issued $124.7 million in short-term debt for the purpose of preserving Cap as described above. None of the new $176.4 million in Single Family Program bonds issued in 2009 obtained Cap by refunding out of the short-term borrowing.

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.

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. During 2009 the Authority's programs and investment returns were adversely affected by recent illiquidity of credit markets and the economic downturn.

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 (Ginnie Mae) MBS. The underlying mortgage loans are all fixed-rate, 30-year loans meeting the criteria for guarantee 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. The Authority is still having difficulty maintaining and securing GIC providers for the Single Family Programs as the market continues to struggle. Returns on GICs are very low, increasing the negative arbitrage experienced by the Authority for these programs. Additionally, some GIC providers have not been able to maintain their minimum required credit rating levels potentially jeopardizing the bonds' ability to continue to be rated AAA. However, all bonds continue to be rated AAA at this time. This presents more of a rating risk versus a financial risk for the Authority, as these funds remain fully invested and cash flows are monitored closely.

The Authority's investments outside of the Single Family Programs are conservative, and primarily include 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. The investments in the State Investment Council Investment Funds Program experienced $2.1 million in fair market value losses as a result of the changes in the market conditions over the last 12 months which was offset by $1.2 million in income and appreciation in the last three months of the fiscal year.

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 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 continues to expect the drop in mortgage interest rates to cause an increase in prepayments on higher rate mortgages, and conversely, an increase in mortgage interest rates to cause a decrease in prepayments. The Authority uses these prepayments to call the corresponding series bonds. However, the current economic environment may limit the ability of borrowers to refinance or prepay loans due to failing real estate values or borrower's employment status.

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 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, 2009 and 2008

(In thousands)

Assets		**2009**	**2008**
Current assets:			
Cash and cash equivalents (note 2):			
Unrestricted	$	25,468	26,662
Restricted		19,516	144,324
Total cash and cash equivalents		44,984	170,986
Investments and reserve funds (note 2):			
Restricted investments and reserve funds, net cost		125,000	—
Unrealized gain on restricted investments and reserve funds		156	—
Restricted investments and reserve funds, net		125,156	—
Accrued interest receivable		6,890	6,818
Other current assets		2,627	1,374
Total current assets		179,657	179,178
Noncurrent assets:			
Restricted cash and cash equivalents (note 2)		157,354	103,967
Investments and reserve funds (note 2):			
Restricted investments and reserve funds, net cost		9,384	11,749
Unrestricted investments, net cost		19,845	24,657
Unrealized gain (loss) on restricted and unrestricted investments and reserve funds		(244)	75
Total Investments and reserve funds, net		28,985	36,481
Restricted note receivable		9,900	9,900
Restricted securitized mortgage loans, net (note 3):			
Securitized mortgage loans, net cost		1,085,590	1,071,342
Unrealized gain (loss) on securitized mortgage loans		43,150	(12,282)
Restricted securitized mortgage loans, net		1,128,740	1,059,060
Mortgage loans, net (note 3)			
Restricted mortgage loans, net		156,417	147,519
Restricted trust funds mortgage loans, net		9,685	6,041
Unrestricted mortgage loans, net		58,851	59,904
Total mortgage loans, net		224,953	213,464
Bond issuance costs, net		11,175	10,699
Capital assets (note 4)		1,651	1,817
Other noncurrent assets		775	178
Total noncurrent assets		1,563,533	1,435,566
Total assets	$	1,743,190	1,614,744

(Continued)

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

Balance Sheets

September 30, 2009 and 2008

(In thousands)

Liabilities and Net Assets		**2009**	**2008**
Current liabilities:			
Accrued interest payable	$	15,638	14,519
Accounts payable and other accrued expenses (note 8)		5,558	5,927
Compensated absences (note 9)		219	185
Current portion of bonds payable (notes 5, 7, and 9)		142,116	142,383
Current portion of notes payable (notes 5, 7, and 9)		2,488	558
Total current liabilities		166,019	163,572
Noncurrent liabilities (note 9):			
Bonds payable, net (notes 5 and 7)		1,370,159	1,299,569
Notes payable (notes 6 and 7)		650	3,140
Accrued arbitrage rebate		975	811
Other noncurrent liabilities		214	202
Total noncurrent liabilities		1,371,998	1,303,722
Total liabilities		1,538,017	1,467,294
Net assets:			
Invested in capital assets, net of related debt		(661)	(586)
Restricted for debt service		79,995	23,627
Restricted for land title trust and housing trust		18,111	17,250
Unrestricted (note 12)		107,728	107,159
Total net assets		205,173	147,450
Commitments and contingencies (note 13)			
Total liabilities and net assets	$	1,743,190	1,614,744

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, 2009 and 2008

(In thousands)

		2009	2008
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	68,633	63,818
Interest on securities and investments		6,909	15,624
Net increase in fair value of investments		55,269	9,678
Housing program income		1,411	1,389
Program servicing fees		338	387
Loan and commitment fees		1,434	1,583
Administrative fees and other revenues		1,854	754
Total operating revenues		135,848	93,233
Operating expenses:			
Interest expense		68,769	69,323
Amortization of bond issuance costs		1,395	1,564
Provision for loan losses		919	56
Administrative and other expenses		8,162	7,578
Total operating expenses		79,245	78,521
Operating gain		56,603	14,712
Nonoperating revenue (expense):			
Grant award income		42,781	37,002
Grant award expense		(42,781)	(37,002)
State appropriation		1,250	3,000
Land title trust contributions		25	100
Land title trust grant distributions		(155)	(8)
Total nonoperating revenues		1,120	3,092
Change in net assets		57,723	17,804
Total net assets, beginning of year		147,450	129,646
Total net assets, end of year	$	205,173	147,450

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, 2009 and 2008

(In thousands)

		2009	2008
Cash flows from operating activities:			
Purchase of loans	$	(21,611)	(19,171)
Receipts of loan repayments		9,340	11,726
Loan and commitment fees		1,553	3,191
Mortgage interest received		73,015	66,616
Purchase of securitized mortgage loans		(156,647)	(321,504)
Principal repayment of securitized mortgage loans		137,578	102,915
Receipts for services		2,013	6,319
Payments to employees for services		(5,030)	(4,906)
Payments to suppliers of goods or services		(2,515)	(2,085)
Other receipts		407	134
Net cash provided by (used in) operating activities		38,103	(156,765)
Cash flows from noncapital financing activities:			
Proceeds from sale of bonds and notes payable		463,680	452,533
Repayment and refunding of bonds and notes payable		(389,664)	(497,850)
Payment of interest on bonds and notes		(71,697)	(71,867)
Payment of arbitrage rebate, net		(30)	(837)
Payment for bond issuance costs		(1,869)	(1,818)
Receipt of grant award income		42,781	37,002
Payment of grant awards to subrecipients		(42,781)	(37,002)
State general fund appropriation		1,250	3,000
Contributions to land title trust		25	100
Land title trust grant distributions		(155)	(8)
Net cash provided by (used in) noncapital financing activities		1,540	(116,747)
Cash flows from capital financing activities:			
Purchases of capital assets		(52)	(45)
Proceeds from the sale of capital assets		—	2
Repayment of capital debt		(105)	(100)
Payment for interest on capital debt		(103)	(107)
Net cash used in capital financing activities		(260)	(250)
Cash flows from investing activities:			
Payments for operation and sale of foreclosed property		(609)	8
Purchase of investments		(255,206)	(16,441)
Proceeds from maturity and sale of investments		137,715	23,545
Investment interest income		6,102	17,390
Net cash provided by (used in) investing activities		(111,998)	24,502
Net decrease in cash and cash equivalents		(72,615)	(249,260)
Cash and cash equivalents, beginning of year		274,953	524,213
Cash and cash equivalents, end of year	$	202,338	274,953
Current cash and cash equivalents	$	44,984	170,986
Noncurrent cash and cash equivalents		157,354	103,967
Cash and cash equivalents, end of year	$	202,338	274,953

(Continued)

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

Statements of Cash Flows

Years ended September 30, 2009 and 2008

(In thousands)

		2009	2008
Reconciliation of operating gain to net cash provided by (used in) operating activities:			
Operating gain	$	56,603	14,712
Adjustments to reconcile operating gain to net cash provided by (used in) operating activities:			
Net increase in the fair value of investments		(55,269)	(9,678)
Amortization of bond issuance costs		1,395	1,564
Amortization of deferred commitment fees		(1,434)	(1,583)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums		4,566	3,726
Gain on sale of assets		778	265
Depreciation and amortization expense		234	264
Provision of loan losses		919	56
Investment interest income		(6,909)	(15,624)
Interest on bonds and notes payable		68,769	69,323
Changes in assets and liabilities:			
Accrued interest receivable on securitized mortgage loans and mortgage loans		(185)	(938)
Other current assets		(1,253)	(231)
Other noncurrent assets		(597)	(16)
Accounts payable and other accrued expenses		(369)	3,052
Compensated absences		34	15
Other noncurrent liabilities		12	17
Securitized mortgage loans, net cost		(17,864)	(214,385)
Mortgage loans		(11,327)	(7,304)
Net cash provided by (used in) operating activities	$	38,103	(156,765)
Supplemental disclosure:			
Other real estate acquired through foreclosure	$	657	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. 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* (GASB No 16), and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement 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 19 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 multifamily rental housing facilities in New Mexico. Each multifamily bond indenture is accounted for as a segment. See note 19 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 multifamily 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; 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 of 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 multifamily 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, 2009 and 2008 were $6.6 million and $6.9 million, respectively, 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.

(Continued)

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 $63,000 and $59,000 as of September 30, 2009 and 2008, 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 current liabilities in the accompanying balance sheets.

(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 months of employment. Accrued vacation leave is computed by multiplying each employee’s current hourly rate by the number of 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 hours 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 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,* and GASB 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.

(2) Cash, Cash Equivalents, and Investments

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

		2009	2008
Cash	$	20,704	17,263
Cash equivalents not considered deposits:			
Money market accounts		12	10
Money market funds		30,067	18,888
Repurchase agreements		7,152	11,330
Guaranteed investment contracts		144,403	227,462
	$	202,338	274,953

(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, 2009 and 2008, the Authority's bank balance was $3,752,000 and $266,000, respectively. Of this amount at September 30, 2009 and 2008, $3,661,000 and $110,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2009 and 2008 are $91,000 and $156,000, respectively, which consists of $0 and $81,000 in the form of collateral held by the bank but not in the Authority's name, and $91,000 and $75,000 that 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 which are in repurchase agreements, to pledge 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, 2009 and 2008, the Authority had $1,736,000 and $2,432,000, respectively, of public funds on deposit which are insured by FDIC or 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, 2009 and 2008 (in thousands):

		September 30, 2009				
		Investment maturities (in years)				
Investment type	**Fair value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**	**Not available**
Money market funds	$ 30,067	30,067	—	—	—	—
Money market account	12	12	—	—	—	—
Repurchase agreements	7,152	7,152	—	—	—	—
Guaranteed investment contracts	144,403	140,937	860	—	2,606	—
Internal state investment pools:						
State Treasurer	17,284	17,284	—	—	—	—
State Investment Council	20,974	—	—	—	—	20,974
U.S. agencies	130,286	129,249	1,037	—	—	—
Securitized mortgage loans	1,128,740	—	—	3,756	1,124,984	—
	$ 1,478,918	324,701	1,897	3,756	1,127,590	20,974

		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

The following table provides information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2009 and 2008 (in thousands):

	September 30, 2009							
Investment type	Fair value	AAA	AA	A	BBB	U.S. government guaranteed	NR	Not available
Money market funds	$ 30,067	—	—	—	—	—	30,067	—
Money market account	12	—	—	—	—	—	12	—
Repurchase agreements	7,152	—	—	—	—	—	7,152	—
Guaranteed investment contracts	144,403	2,134	126,116	15,318	—	—	835	—
Internal state investment pools:								
State Treasurer	17,284	17,284	—	—	—	—	—	—
State Investment Council	20,974	—	—	—	—	—	—	20,974
U.S. agencies	130,286	130,286	—	—	—	—	—	—
Securitized mortgage loans	1,128,740	396,968	—	—	—	731,772	—	—
	$ 1,478,918	546,672	126,116	15,318	—	731,772	38,066	20,974

	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

(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, 2009 and 2008, respectively: GNMA 57% and 61%, FNMA 31% and 36%, and FHLB 10% and 1%.

(3) Mortgage Loans

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

		2009	2008
Total mortgage loan principal outstanding	$	228,619	216,291
Less:			
Allowance for mortgage loan losses		(1,823)	(918)
Deferred origination and commitment fees		(1,843)	(1,909)
Mortgage loans, net	$	224,953	213,464

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

		2009	2008
Beginning balance	$	918	726
Provision for loan losses		919	56
Loans (written off) recoveries, net		(14)	136
Ending balance	$	1,823	918

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, 2009 and 2008, deferred commitment fees of $9,766,000 and $9,581,000, respectively, have been netted with securitized mortgage loans, which are ultimately recorded at estimated fair value.

As of September 30, 2009 and 2008, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $44,000 and $153,000, respectively. As of September 30, 2009 and 2008, mortgage loans' total delinquent aggregate principal balances are approximately $4,802,000 and $5,061,000, respectively.

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

		2009	2008
Neighborhood Housing Services of Albuquerque	$	947	760
State of New Mexico Severance Tax Permanent Fund		52	61
State Investment Council		—	2
Isleta Pueblo		1,462	1,515
AFL-CIO		3,082	3,108
Federal National Mortgage Association (FNMA) Loans		18,814	18,951
Habitat for Humanity/Valencia County		79	83
Government National Mortgage Association (GNMA) Loans		1,832	2,036
Southwest Community Resources		33	35
	$	26,301	26,551

(4) Capital Assets

Changes in capital assets during 2009 and 2008 were as follows (in thousands):

		October 1, 2008	Additions	Dispositions	September 30, 2009
Land (nondepreciable)	$	512	—	—	512
Building and improvements		3,041	—	—	3,041
Furniture and equipment		1,390	52	(3)	1,439
Total capital assets		4,943	52	(3)	4,992
Less accumulated depreciation:					
Building and improvements		(1,981)	(116)	—	(2,097)
Furniture and equipment		(1,145)	(102)	3	(1,244)
Total accumulated depreciation		(3,126)	(218)	3	(3,341)
Capital assets, net	$	1,817	(166)	—	1,651

		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

(5) Bonds Payable

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

Single Family Mortgage Programs		2009	2008
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	$	690	785
1994 Series B – 6.75% interest payable semiannually, principal due through 2025		570	750
1994 Series C – 6.50% interest payable semiannually, principal due through 2025		670	765
1994 Series D – 6.80% interest payable semiannually, principal due through 2026		725	830
1994 Series E – 6.95% interest payable semiannually, principal due through 2026		930	1,050
1997 Series G – 4.90% to 5.40% interest payable semiannually, principal due through 2029		—	4,605
1998 Series A – 5.05% to 5.45% interest payable semiannually, principal due through 2029		5,115	6,625
1998 Series B – 5.15% to 6.10% interest payable semiannually, principal due through 2030		3,295	4,200
1998 Series C – 5.00% to 6.00% interest payable semiannually, principal due through 2029		4,435	5,845
1998 Series D – 4.95% to 6.00% interest payable semiannually, principal due through 2030		—	5,790
1998 Series E – 4.70% to 6.25% interest payable semiannually, principal due through 2030		—	6,115

Single Family Mortgage Programs		2009	2008
1999 Series A – 4.60% to 6.25% interest payable semiannually, principal due through 2030	$	—	6,970
1999 Series B – 4.65% to 6.25% interest payable semiannually, principal due through 2030		—	8,420
1999 Series C – 5.13% interest payable semiannually, principal due through 2029		1,358	1,548
1999 Series D – 5.30% to 6.75% interest payable semiannually, principal due through 2030		—	4,362
1999 Series E – 5.40% to 6.80% interest payable semiannually, principal due through 2031		5,660	6,315
1999 Series F – 5.40% to 6.80% interest payable semiannually, principal due through 2031		3,140	4,355
2000 Series A – 5.75% to 7.76% interest payable semiannually, principal due through 2031		2,675	3,305
2000 Series B – 5.80% to 7.00% interest payable semiannually, principal due through 2032		2,705	3,440
2000 Series C – 5.60% to 6.95% interest payable semiannually, principal due through 2032		2,320	2,825
2000 Series D – 5.10% to 8.34% interest payable semiannually, principal due through 2032		3,380	4,165
2000 Series E – 5.40% to 6.55% interest payable semiannually, principal due through 2032		4,740	5,525
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018		106	136
2001 Series A – 4.60% to 5.85% interest payable semiannually, principal due through 2032		6,040	7,370
2001 Series B – 4.85% to 6.20% interest payable semiannually, principal due through 2033		6,005	7,070
2001 Series C – 4.75% to 6.25% interest payable semiannually, principal due through 2033		5,735	6,275
2001 Series D – 4.05% to 5.75% interest payable semiannually, principal due through 2033		6,410	7,380
2002 Series A – 4.55% to 6.45% interest payable semiannually, principal due through 2033		5,120	5,890
2002 Series B – 4.20% to 6.35% interest payable semiannually, principal due through 2033		6,910	8,430
2002 Series C – 4.45% to 5.82% interest payable semiannually, principal due through 2034		7,095	8,655
2002 Series D – 3.95% to 5.64% interest payable semiannually, principal due through 2034		7,045	7,565
2002 Series E – 3.60% to 5.43% interest payable semiannually, principal due through 2034		7,600	9,360
2002 Series F – 3.55% to 5.53% interest payable semiannually, principal due through 2034		7,540	8,650

Single Family Mortgage Programs		**2009**	**2008**
2003 Series A – 3.45% to 5.25% interest payable semiannually, principal due through 2034	$	8,910	9,840
2003 Series B – 3.45% to 5.45% interest payable semiannually, principal due through 2034		9,405	10,280
2003 Series C – 2.80% to 4.70% interest payable semiannually, principal due through 2034		12,140	13,965
2003 Series D – 4.05% to 6.125% interest payable semiannually, principal due through 2034		9,645	11,365
2003 Series E – 3.50% to 5.89% interest payable semiannually, principal due through 2034		12,100	13,345
2004 Series A – 2.875% to 5.29% interest payable semiannually, principal due through 2034		12,265	14,000
2004 Series B – 3.00% to 4.75% interest payable semiannually, principal due through 2035		12,795	14,885
2004 Series C – 3.85% to 5.65% interest payable semiannually, principal due through 2035		14,100	16,490
2004 Series D – 4.10% to 6.15% interest payable semiannually, principal due through 2035		15,390	18,710
2004 Series E – 3.50% to 5.50% interest payable semiannually, principal due through 2035		15,995	18,110
2005 Series A – 3.25% to 5.50% interest payable semiannually, principal due through 2036		17,905	20,350
2005 Series B – 3.90% to 6.10% interest payable semiannually, principal due through 2036		17,420	21,075
2005 Series C – 3.70% to 5.85% interest payable semiannually, principal due through 2037		16,110	19,375
2005 Series D – 3.75% to 5.85% interest payable semiannually, principal due through 2037		25,135	27,965
2006 Series A – 3.80% to 5.95% interest payable semiannually, principal due through 2037		35,060	39,435
2006 Series B – 3.75% to 5.90% interest payable semiannually, principal due through 2037		28,825	31,330
2006 Series C – 3.80% to 6.15% interest payable semiannually, principal due through 2037		41,720	46,790
2006 Series D – 4.00% to 6.00% interest payable semiannually, principal due through 2037		38,545	41,490
2006 Series E – 4.10% to 6.05% interest payable semiannually, principal due through 2038		36,600	41,395
2006 Series F – 3.90% to 6.15% interest payable semiannually, principal due through 2038		53,150	57,195
2007 Series A – 4.00% to 5.75% interest payable semiannually, principal due through 2038		45,435	48,370
2007 Series B – 3.60% to 6.00% interest payable semiannually, principal due through 2039		81,015	87,535

Single Family Mortgage Programs	**2009**	**2008**
2007 Series C – 4.625% to 5.92% interest payable semiannually, principal due through 2039	$ 56,155	59,205
2007 Series D – 4.50% to 6.27% interest payable semiannually, principal due through 2039	66,025	69,515
2007 Series E – 4.61% to 6.35% interest payable semiannually, principal due through 2039	57,430	60,000
2008 Series A – 2.75% to 5.60% interest payable semiannually, principal due through 2039	54,170	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 – 4.00% to 6.375% interest payable semiannually, principal due through 2039	33,230	33,980
2008 Series C – 3.80% to 6.95% interest payable semiannually, principal due through 2039	49,245	50,395
2008 Series D – 2.40% to 5.50% interest payable semiannually, principal due through 2039	63,670	—
2009 Series A – 1.875% to 6.00% interest payable semiannually, principal due through 2039	23,780	—
2009 Series B – 1.25% to 5.65% interest payable semiannually, principal due through 2039	51,120	—
2009 Series C – 1.00% to 5.70% interest payable semiannually, principal due through 2040	62,925	—
2009 Short Term Issue 1 – 1.03% interest payable upon maturity, principal due 2010	124,691	—
Subtotal	1,310,120	1,243,989
Unaccreted premium, net of underwriters' discount	24,887	27,771
Subtotal Single Family Mortgage Programs, net bonds payable	$ 1,335,007	1,271,760

* Equal to 100% of the Taxable Interest Rate. The Taxable Interest Rate is the per annum rate for deposits in United States 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		2009	2008
1987 Series A&B – 7.25% interest payable semiannually, principal due 2011	$	9,900	9,900
1997 Multi Family Housing Revenue – Rio Volcan II – 5.20% to 5.65% interest payable semiannually principal due through 2018		3,535	3,615
1998 Series A&B Multi Family Housing Revenue – The Bluffs at Tierra Contenta – 5.20% to 5.30% interest payable semiannually, principal due through 2031		8,155	8,355
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
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		9,445	9,575
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038		9,495	9,615
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038		9,010	9,130
2004 Series A&B Multi Family Risk Sharing – NM5 – 4.625% to 5.20% interest payable semiannually, principal due through 2039		9,325	9,555
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039		12,120	12,260
2004 Series E Multi Family Housing Revenue – Lafayette – 6.50% interest payable monthly, principal due through 2037		7,314	7,387
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040		10,860	10,990
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 5.68% interest payable semiannually, principal due through 2040		11,620	11,760
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.70% interest payable semiannually, principal due through 2040		4,060	4,110

(Continued)

Rental Housing Mortgage Programs		2009	2008
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040	$	12,825	12,980
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		5,870	5,930
2007 C & D Multi-Family Risk Sharing – NM Rainbow – 5.85% to 10.00% interest payable semiannually, principal due through 2043		13,980	14,060
2008 A & B Multi-Family Risk Sharing – Villas de San Ignacio variable interest rate * 0.40% to 3.25% at September 30, 2009 payable monthly, principal due through 2043		8,900	—
Subtotal		174,659	167,467
Unaccreted premium		298	321
Subtotal Rental Housing Mortgage Programs, net bonds payable	$	174,957	167,788

* Determined on a weekly basis until adjusted to Reset Rates or Fixed Rates.

Capital debt		2009	2008
2005 General Revenue Office Building Refunding Bonds – 3.75% to 4.375% interest payable semiannually, principal due through 2026	$	2,440	2,545
Unamortized discount		(129)	(141)
Subtotal net capital bonds payable	$	2,311	2,404
Total bonds payable	$	1,487,219	1,414,001
Total unaccreted premium, net of unamortized discount		25,056	27,951
Total bonds payable, net	$	1,512,275	1,441,952

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, MBSs, 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, MBSs, and other assets in the accounts established by each respective Trust Indenture.

In October 2008, the Authority authorized the $300,000,000 Single Family Mortgage Program Bonds, Short-Term Issue 2008. These bonds were issued as Short-Term Issue 2009-1 on January 12, 2009 in the aggregate principal amount of $124,691,000 with a mandatory tender date of January 12, 2010. The bonds carry an interest rate of 1.03% per annum. The bonds are secured solely by funds on deposit in the bond escrow fund established under the indenture and invested in a note issued by the Federal Home Loan Bank bearing interest at 0.78%, together with the reinvestment of the semi-annual interest payments thereon in government obligations.

The Single Family Mortgage Program Class I Bonds 2009 Series A Bonds were issued to fully refund the Single Family Mortgage Program Bonds 1999 Series D Bonds. The Authority realized a $1,021,000 positive cash flow from this refunding and an economic gain of $477,000.

The Single Family Mortgage Program Class I Bonds 2009 Series B were issued to fully refund the Single Family Mortgage Program Bonds 1998 Series D and 1998 Series E Bonds. From the 1998 Series D refunding, the Authority realized a $1,341,000 positive cash flow and an economic gain of $731,000. From the 1998 Series E refunding, the Authority realized a $1,007,000 positive cash flow and an economic gain of $574,000.

The Single Family Mortgage Program Class I Bonds 2009 Series C were issued to fully refund the Single Family Mortgage Program Bonds 1999 Series A and 1999 Series B Bonds. From the 1999 Series A refunding, the authority realized a $2,105,000 positive cash flow and an economic gain of $1,065,000. From the 1999 Series B refunding, the Authority realized a $2,900,000 positive cash and an economic gain of $1,352,000.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2009 and 2008 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 $35,785,000 at September 30, 2009 and $38,115,000 at September 30, 2008, 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, 2009 and 2008 consist of the following (in thousands):

	2009	2008
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
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.	2,488	3,046
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
	$ 3,138	3,698

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, 2009 follows (in thousands):

	Bonds payable		Notes payable	
	Interest	Principal	Interest	Principal
Year ending September 30:				
2010	$ 73,027	142,116	109	2,488
2011	70,712	29,303	13	—
2012	69,098	20,480	13	—
2013	68,111	21,562	13	—
2014	67,054	22,759	13	—
2015 – 2019	316,322	136,864	27	650
2020 – 2024	275,570	180,359	—	—
2025 – 2029	210,988	320,612	—	—
2030 – 2034	123,269	334,891	—	—
2035 – 2039	39,317	256,806	—	—
2040 – 2044	1,575	20,892	—	—
2045 – 2047	20	575	—	—
	1,315,063	1,487,219	188	3,138
Net unaccreted premium	—	25,056	—	—
	$ 1,315,063	1,512,275	188	3,138

(8) Accounts Payable and Accrued Expenses

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

	2009	2008
Vendor	$ 3,283	2,842
Employee benefits	214	280
Deferred revenue	2,061	2,805
	$ 5,558	5,927

(9) Noncurrent Liabilities and Compensated Absences

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2009 and 2008 follows (in thousands):

	October 1, 2008	Increases	Decreases	September 30, 2009	Current portion
Bonds payable, net	$ 1,441,952	337,071	(266,748)	1,512,275	142,116
Note payable	3,698	126,609	(127,169)	3,138	2,488
Accrued arbitrage rebate	811	255	(91)	975	—
Other noncurrent liabilities	202	12	—	214	—
Compensated absences	185	230	(196)	219	219
	$ 1,446,848	464,177	(394,204)	1,516,821	144,823

	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

(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 $538,000 and $203,000, respectively, for the year ended September 30, 2009. 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 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, 2009 and 2008 (in thousands):

		2009	2008
Single Family and Multi-Family Programs as designated by the board	$	12,315	13,107
Future general operating budget, year-end September 30, 2010		8,755	8,575
Housing Opportunity Fund		70,066	68,953
Risk-sharing loss exposure		12,212	12,271
Federal and state housing programs administered by the Authority		4,380	4,253
Total board designated net assets	$	107,728	107,159

(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, 2009 and 2008, the Authority is committed to assume a risk of approximately $12,210,000 and $12,268,000 for 40 and 39 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, 2009. As of September 30, 2009 and 2008, the Authority is committed to assume a risk of approximately $126,000 and $127,000 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.

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, 2009, 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 liabilities as of September 30, 2009.

On September 16, 2009 the Board of Directors approved the reserve for contingent liability for a HOME loan to Habitat for Humanity of Valencia, La Mesa Apartments. Based on the information available as of September 30, 2009, Management has determined that it is probable that MFA has incurred a contingent liability for the balance of the loan $450,000, which may be payable to HUD for non-completion of the project. The reserve for contingent liability is recorded on the Income Statement as of September 30, 2009.

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, 2009 and 2008, 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 and Memorandums of Understanding

The Authority has entered into fifteen joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2009, 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 Low Income Housing Energy Assistance Program (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 terminated on September 30, 2009. The maximum amount to be reimbursed under the JPA is $2,806,000, 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.

(b) The Authority entered into a MOU 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 MOU was effective September 26, 2008 and terminated 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. The Authority is responsible for the audit of the funds received under this JPA.

(c) 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. The Authority is responsible for the audit of the funds received under this JPA. Of the $625,000 appropriated to this project, $200,000 is appropriated to the Authority through DFA subject to reversion on June 30, 2010 to DFA for reversion to the State General Fund.

(d) 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 terminated 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. The Authority is responsible for the audit of the funds received under this JPA.

(e) The Authority entered into a JPA with DFA in December 2007, which was amended in August 2008 and February 2009. 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 $1,250,000, 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. The laws of 2007 appropriated $1,000,000 to the Authority through DFA to this project, $250,000 of which has been reverted to DFA for reversion to the State General Fund; the balance of $750,000 is subject to reversion on June 30, 2011 to DFA for reversion to the State General Fund. The laws of 2008 appropriated $1,000,000 to the Authority through DFA to this project, $500,000 of which has been reverted to DFA for reversion to the State General Fund; the balance of $500,000 is subject to reversion on June 30, 2012 to DFA for reversion to the State General Fund.

(f) The Authority entered into a JPA with DFA in December 2005, which was amended in August 2007 and June 2008. An additional JPA was entered into in February 2009 for the same purpose. The purpose of these agreements is for DFA to transfer funds to the Authority for the purpose of expending appropriated funds for infrastructure, land, building and financing projects to implement the Affordable Housing Act. The JPAs were effective December 20, 2005 and February 18, 2009, which will terminate October 31, 2011 and June 30, 2012, respectively. The estimated amount of the project is $15,000,000, 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.

(g) The Authority entered into a JPA with the State Investment Council 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.

(h) The Authority entered into a JPA with DFA in November 2008, which was amended in May 2009. The purpose of the agreement is to transfer appropriations concerning the Chuska Apartments. The Authority has the responsibility for program operations. The JPA was effective November 25, 2008 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $414,000, 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.

(i) The Authority entered into a JPA with DFA in December 2008. The purpose of the agreement is to transfer appropriations concerning the Lexington Hotel. The Authority has the responsibility for program operations. The JPA was effective December 31, 2008 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $225,000, 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.

(j) The Authority entered into a JPA with DFA in February 2009. The purpose of the agreement is to transfer appropriations concerning Silver Gardens and Workforce Housing. The Authority has the responsibility for program operations. The JPA was effective February 18, 2009 and will terminate June 30, 2012. The maximum amount to be reimbursed under the JPA is $374,000, 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. The full amount appropriated to this project is appropriated to the Authority through DFA subject to reversion on June 30, 2012 to DFA for reversion to the State Severance Tax Bonds.

(k) The Authority entered into a JPA with DFA in April 2009. The purpose of the agreement is for the implementation and administration of a subgrant of the HUD Neighborhood Stabilization Program grant. The Authority has the responsibility for program operations. The JPA was effective April 23, 2009 and will terminate June 20, 2013. The maximum amount to be reimbursed under the JPA is $8,708,000, 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.

(l) The Authority entered into a JPA with DFA in April 2009, which was amended the same month. The purpose of the agreement is to transfer appropriations concerning Transitional Living Facility for Homeless Teens. The Authority has the responsibility for program operations. The JPA was effective April 20, 2009 and will terminate June 30, 2012. The maximum amount to be reimbursed under the JPA is $233,000, 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. The full amount appropriated to this project is appropriated to the Authority through DFA subject to reversion on June 30, 2012 to DFA for reversion to the State General Fund.

(m) The Authority entered into a JPA with DFA in May 2009. The purpose of the agreement is to transfer appropriations concerning Youth Shelter and Family Services Facility. The Authority has the responsibility for program operations. The JPA was effective May 12, 2009 and will terminate June 30, 2012. The maximum amount to be reimbursed under the JPA is $446,000, 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.

(n) The Authority entered into a JPA with DFA in May 2009. The purpose of the agreement is to transfer appropriations concerning a Veterans' Transitional Housing Project. The Authority has the responsibility for program operations. The JPA was effective May 12, 2009 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $139,000, 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. The full amount appropriated to this project is appropriated to the Authority through DFA subject to reversion on June 30, 2011 to DFA for reversion to the State General Fund.

(o) The Authority entered into a JPA with DFA in June 2009. The purpose of the agreement is to transfer appropriations for a statewide affordable housing study. The Authority has the responsibility for program operations. The JPA was effective June 11, 2009 and terminated June 30, 2009. The maximum amount to be reimbursed under the JPA is $14,000, all of which is applicable to the Authority. The Authority contributed $11,000 to this project. The Authority is responsible for the audit of the funds received under this JPA. The full amount appropriated to this project is appropriated to the Authority acting as the state housing authority through DFA subject to reversion on June 30, 2009 to DFA for reversion to the State General Fund. All monies applicable to the JPA were expensed and reimbursed as of June 30, 2009 and therefore not subject to reversion.

(p) The Authority entered into a JPA with DFA in December 2007. The purpose of the agreement is to establish oversight responsibilities under the Regional Housing Law. The Authority and DFA have the responsibility for the program oversight. The JPA was effective August 10, 2007 and will continue until terminated by the parties. The maximum amount to be reimbursed under the JPA is $1,200,000, $253,000 of which is applicable to the Authority. The State Auditor is responsible for the audit of the funds received under this JPA.

(16) State Severance Tax Bond Appropriations

Certain portions of the joint powers agreements (note 15) entered into by the Authority are appropriations funded by state severance tax bonds passed through the DFA to the Authority. Depending on the purpose, the appropriations are recorded as Grant Award income and expense or recorded as state appropriations in the accompanying financial statements. The joint powers agreements (disclosed above) and the following chart describes the appropriations from the state severance tax bonds (in thousands):

Description	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
Affordable Housing Act	2,000	02/13/09-6/30/12	316	934	750
Silver Gardens & Workforce Housing	374	02/13/09-6/30/12	187	187	—
Chuska Apartments	50	11/25/08-6/30/11	50	—	—
	2,424		553	1,121	750

The Authority has received cash for the $934,000 shown in the "Outstanding Encumbrances" column in the table above and has recognized state appropriation nonoperating revenue for the $934,000. This amount has not been expended as of September 30, 2009. Accordingly, no expense has been recognized and the $934,000 is included in net assets restricted for land title and housing trust at September 30, 2009.

The Authority has not recognized revenue or expense for the $187,000 shown in the "Outstanding Encumbrances" column or the $750,000 included in the "Unencumbered Balance" column above. As a result, these amounts have not been reflected in the financial statements.

(17) 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 2009 and 2008, the Authority awarded federal grants of approximately $370,000 and $330,000, respectively, to Homewise.

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

(18) Subsequent Events

On October 21, 2009, the Authority issued $50,834,000 of Single Family Mortgage Program 2009 Series D Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the bonds was sold at a premium of $834,000 to fund assistance to borrowers in this bond issue.

On December 10, 2009, the Authority issued $50,802,000 of Single Family Mortgage Program 2009 Series E Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the bonds was sold at a premium of $802,000 to fund assistance to borrowers in this bond issue.

On December 21, 2009, The Authority issued $155,000,000 of Single Family Mortgage Program 2009 Series Bonds under the GSE Escrow Bond Purchase Program. This program was established as part of the Housing and Economic Recovery Act of 2008 (HERA) to assist Housing Finance Authorities in providing low mortgage rates and also expanded resources for low income first-time home buyers. These escrow bonds will be rolled out into three subsequent bond issues during calendar year 2010. The bonds are to be used to redeem or pay at maturity certain of the Authority's outstanding single family mortgage revenue bonds or loans and to finance qualifying mortgage loans under the Single Family Mortgage Program.

On December 21, 2009, the Authority issued $6,895,000 of Multifamily Housing Revenue 2009 Series A Bonds. The bonds are to be used to finance the costs of the acquisition, rehabilitation and equipping of multifamily residential rental housing facilities.

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, 2009, one GIC provider for four older bond issues was placed on negative credit watch and downgraded below required rating levels. As of September 30, 2009, the amount held by the GIC provider on these four bonds is less than $1,000,000. The downgrade does not constitute an event of default in accordance with the bond offering documents. In management's opinion, the downgrade to this GIC provider will not have a significant negative impact.

(19) 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 primarily 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**	**1997 Series G**
Current assets:							
Restricted cash and cash equivalents	$	—	—	—	—	—	—
Restricted investments, net		—	—	—	—	—	—
Accrued interest receivable		4	4	5	4	6	—
Other current assets		—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	(1)	—
Total current assets		4	4	5	4	5	—
Noncurrent assets:							
Restricted cash and cash equivalents		143	103	23	88	122	—
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		808	616	818	653	998	—
Unrealized gain (loss) on securitized mortgage loans		77	60	76	60	104	—
Total restricted securitized mortgage loans, net		885	676	894	713	1,102	—
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		7	7	7	8	10	—
Total noncurrent assets		1,035	786	924	809	1,234	—
Total assets	$	1,039	790	929	813	1,239	—
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	12	10	11	12	16	—
Accounts payable and other accrued expenses		—	—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		12	10	11	12	16	—
Noncurrent liabilities:							
Bonds payable, net		690	571	671	726	931	—
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		690	571	671	726	931	—
Total liabilities		702	581	682	738	947	—
Net assets restricted for debt service		337	209	247	75	292	—
Total liabilities and net assets	$	1,039	790	929	813	1,239	—

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets		Single Family Mortgage Programs						
Assets		**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	$	100	80	110	—	—	—	—
Restricted investments, net		—	—	—	—	—	—	—
Accrued interest receivable		32	21	27	—	—	—	—
Other current assets		—	—	—	—	—	—	1
Intra-entity receivable (payable)		(5)	(3)	(4)	—	—	—	—
Total current assets		127	98	133	—	—	—	1
Noncurrent assets:								
Restricted cash and cash equivalents		626	254	209	—	—	18	16
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		5,339	3,768	4,868	—	—	—	—
Unrealized gain (loss) on securitized mortgage loans		384	284	327	—	—	—	—
Total restricted securitized mortgage loans, net		5,723	4,052	5,195	—	—	—	—
Restricted mortgage loans, net		—	—	—	—	—	—	—
Bond issuance costs, net		37	24	32	—	—	—	—
Total noncurrent assets		6,386	4,330	5,436	—	—	18	16
Total assets	$	6,513	4,428	5,569	—	—	18	17
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	69	45	61	—	—	—	—
Accounts payable and other accrued expenses		—	—	—	—	—	—	—
Current portion of bonds payable		100	80	110	—	—	—	—
Total current liabilities		169	125	171	—	—	—	—
Noncurrent liabilities:								
Bonds payable, net		5,015	3,217	4,366	—	—	—	—
Accrued arbitrage rebate		1	4	6	—	—	—	—
Total noncurrent liabilities		5,016	3,221	4,372	—	—	—	—
Total liabilities		5,185	3,346	4,543	—	—	—	—
Net assets restricted for debt service		1,328	1,082	1,026	—	—	18	17
Total liabilities and net assets	$	6,513	4,428	5,569	—	—	18	17

(Continued)

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

Notes to Financial Statements

September 30, 2009

(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	$	—	—	120	50	50	40	34	25
Restricted investments, net		—	—	—	—	—	—	—	—
Accrued interest receivable		7	—	32	18	17	17	15	20
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)			—	(2)	(1)	(1)	(1)	(1)	(1)
Total current assets		7	—	150	67	66	56	48	44
Noncurrent assets:									
Restricted cash and cash equivalents		69	—	280	113	150	91	—	337
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		1,369	—	5,828	3,190	2,915	3,007	2,512	3,221
Unrealized gain (loss) on securitized mortgage loans		92	—	391	234	265	253	226	270
Total restricted securitized mortgage loans, net		1,461	—	6,219	3,424	3,180	3,260	2,738	3,491
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		16	—	44	27	21	23	18	29
Total noncurrent assets		1,546	—	6,543	3,564	3,351	3,374	2,756	3,857
Total assets	$	1,553	—	6,693	3,631	3,417	3,430	2,804	3,901
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	6	—	30	16	15	14	12	18
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	—
Current portion of bonds payable		—	—	120	50	50	40	40	25
Total current liabilities		6	—	150	66	65	54	52	43
Noncurrent liabilities:									
Bonds payable, net		1,358	—	5,675	3,143	2,671	2,716	2,326	3,431
Accrued arbitrage rebate		—	—	3	3	10	5	4	14
Total noncurrent liabilities		1,358	—	5,678	3,146	2,681	2,721	2,330	3,445
Total liabilities		1,364	—	5,828	3,212	2,746	2,775	2,382	3,488
Net assets restricted for debt service		189	—	865	419	671	655	422	413
Total liabilities and net assets	$	1,553	—	6,693	3,631	3,417	3,430	2,804	3,901

(Continued)

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

Notes to Financial Statements

September 30, 2009

(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	$ 40	—	140	125	120	110	80	90
Restricted investments, net	—	—	—	—	—	—	—	—
Accrued interest receivable	29	1	32	32	30	31	27	34
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(1)	—	(2)	(2)	(2)	(1)	(1)	(2)
Total current assets	68	1	170	155	148	140	106	122
Noncurrent assets:								
Restricted cash and cash equivalents	228	202	220	207	202	502	406	416
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	4,949	—	6,407	6,104	5,820	6,278	5,140	6,769
Unrealized gain (loss) on securitized mortgage loans	380	—	317	343	360	304	292	361
Total restricted securitized mortgage loans, net	5,329	—	6,724	6,447	6,180	6,582	5,432	7,130
Restricted mortgage loans, net	—	126	—	—	—	—	—	—
Bond issuance costs, net	37	3	50	51	50	58	47	63
Total noncurrent assets	5,594	331	6,994	6,705	6,432	7,142	5,885	7,609
Total assets	$ 5,662	332	7,164	6,860	6,580	7,282	5,991	7,731
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 24	1	28	29	28	29	25	33
Accounts payable and other accrued expenses	—	1	—	—	—	—	—	—
Current portion of bonds payable	40	—	140	125	120	110	80	90
Total current liabilities	64	2	168	154	148	139	105	123
Noncurrent liabilities:								
Bonds payable, net	4,787	106	6,040	6,018	5,715	6,423	5,138	6,952
Accrued arbitrage rebate	13	—	—	—	—	—	—	—
Total noncurrent liabilities	4,800	106	6,040	6,018	5,715	6,423	5,138	6,952
Total liabilities	4,864	108	6,208	6,172	5,863	6,562	5,243	7,075
Net assets restricted for debt service	798	224	956	688	717	720	748	656
Total liabilities and net assets	$ 5,662	332	7,164	6,860	6,580	7,282	5,991	7,731

(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	$	135	150	140	150	175	185	260	175
Restricted investments, net		—	—	—	—	—	—	—	—
Accrued interest receivable		34	32	36	36	39	39	47	43
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		(1)	(1)	(1)	(1)	(2)	(1)	(3)	(1)
Total current assets		168	181	175	185	212	223	304	217
Noncurrent assets:									
Restricted cash and cash equivalents		278	215	641	209	348	423	26	865
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		6,924	6,950	7,196	7,656	8,865	9,086	12,158	9,011
Unrealized gain (loss) on securitized mortgage loans		388	348	330	333	301	292	158	399
Total restricted securitized mortgage loans, net		7,312	7,298	7,526	7,989	9,166	9,378	12,316	9,410
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		65	64	71	71	85	91	117	88
Total noncurrent assets		7,655	7,577	8,238	8,269	9,599	9,892	12,459	10,363
Total assets	$	7,823	7,758	8,413	8,454	9,811	10,115	12,763	10,580
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	33	31	33	34	37	40	45	45
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	—
Current portion of bonds payable		135	150	140	150	175	185	260	175
Total current liabilities		168	181	173	184	212	225	305	220
Noncurrent liabilities:									
Bonds payable, net		7,075	7,007	7,586	7,568	8,945	9,460	12,206	9,707
Accrued arbitrage rebate		—	—	—	—	—	—	—	—
Total noncurrent liabilities		7,075	7,007	7,586	7,568	8,945	9,460	12,206	9,707
Total liabilities		7,243	7,188	7,759	7,752	9,157	9,685	12,511	9,927
Net assets restricted for debt service		580	570	654	702	654	430	252	653
Total liabilities and net assets	$	7,823	7,758	8,413	8,454	9,811	10,115	12,763	10,580

(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	$	240	250	270	240	255	295	310	285
Restricted investments, net		—	—	—	—	—	—	—	—
Accrued interest receivable		52	58	56	72	81	67	73	81
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		(1)	(7)	(8)	(9)	(8)	(12)	(10)	—
Total current assets		291	301	318	303	328	350	373	366
Noncurrent assets:									
Restricted cash and cash equivalents		751	887	284	1,291	1,353	1,206	1,651	1,375
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		11,709	11,825	12,946	13,246	14,508	15,196	16,762	16,669
Unrealized gain (loss) on securitized mortgage loans		415	336	328	501	568	481	509	477
Total restricted securitized mortgage loans, net		12,124	12,161	13,274	13,747	15,076	15,677	17,271	17,146
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		109	114	99	112	120	130	148	145
Total noncurrent assets		12,984	13,162	13,657	15,150	16,549	17,013	19,070	18,666
Total assets	$	13,275	13,463	13,975	15,453	16,877	17,363	19,443	19,032
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	53	151	147	188	212	202	226	236
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	1
Current portion of bonds payable		240	250	270	240	255	295	310	285
Total current liabilities		293	401	417	428	467	497	536	522
Noncurrent liabilities:									
Bonds payable, net		12,169	12,361	12,819	14,210	15,507	16,100	18,062	17,613
Accrued arbitrage rebate		—	—	—	—	—	—	—	—
Total noncurrent liabilities		12,169	12,361	12,819	14,210	15,507	16,100	18,062	17,613
Total liabilities		12,462	12,762	13,236	14,638	15,974	16,597	18,598	18,135
Net assets restricted for debt service		813	701	739	815	903	766	845	897
Total liabilities and net assets	$	13,275	13,463	13,975	15,453	16,877	17,363	19,443	19,032

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets		Single Family Mortgage Programs				
Assets		**2005 Series C**	**2005 General Indenture**	**2008 Draw Down**	**2009 Short Term**	**Total Single Family Mortgage Programs**
Current assets:						
Restricted cash and cash equivalents	$	280	10,375	—	—	15,484
Restricted investments, net		—	—	—	125,156	125,156
Accrued interest receivable		76	4,208	—	214	5,789
Other current assets		—	—	—	1	2
Intra-entity receivable (payable)		(9)	(528)	—	—	(634)
Total current assets		347	14,055	—	125,371	145,797
Noncurrent assets:						
Restricted cash and cash equivalents		777	135,385	—	488	153,478
Restricted investments and reserve funds, net		—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost		16,054	799,232	—	—	1,077,370
Unrealized gain (loss) on securitized mortgage loans		298	30,855	—	—	42,777
Securitized mortgage loans, net		16,352	830,087	—	—	1,120,147
Restricted mortgage loans, net		—	—	—	—	126
Bond issuance costs, net		141	7,812	—	9	10,260
Total noncurrent assets		17,270	973,284	—	497	1,284,011
Total assets	$	17,617	987,339	—	125,868	1,429,808
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$	211	10,902	—	922	14,292
Accounts payable and other accrued expenses		—	20	—	—	22
Current portion of bonds payable		280	10,375	—	124,691	140,181
Total current liabilities		491	21,297	—	125,613	154,495
Noncurrent liabilities:						
Bonds payable, net		16,462	911,283	—	—	1,194,826
Accrued arbitrage rebate		—	886	—	—	949
Total noncurrent liabilities		16,462	912,169	—	—	1,195,775
Total liabilities		16,953	933,466	—	125,613	1,350,270
Net assets restricted for debt service		664	53,873	—	255	79,538
Total liabilities and net assets	$	17,617	987,339	—	125,868	1,429,808

(In thousands)

(18) Segment Financial Information

	Single Family Mortgage Programs				
Statements of Revenues, Expenses, and Changes in Net Assets	**1994 Series A**	**1994 Series B**	**1994 Series C**	**1994 Series D**	**1994 Series E**
Operating revenues:					
Interest on mortgage loans and securitized mortgage loans	$ 65	48	57	49	77
Interest on securities and temporary investments	—	—	—	3	1
Loss on sale of assets	—	—	—	—	—
Net increase (decrease) in fair value of investments	26	18	32	22	25
Loan and commitment fees	—	—	—	—	—
Administrative fees and other	(1)	(1)	(1)	(1)	(2)
Total operating revenues	90	65	88	73	101
Operating expenses:					
Interest	50	44	46	53	68
Amortization of bond issuance costs	1	2	1	2	2
Administrative fees and other	1	1	1	1	—
Total operating expenses	52	47	48	56	70
Operating income (loss)	38	18	40	17	31
Other financing sources (uses) – operating transfers	—	—	—	—	—
Change in net assets	38	18	40	17	31
Total net assets – beginning	299	191	207	58	261
Total net assets – ending	$ 337	209	247	75	292
Net cash provided (used) by:					
Operating activities	$ 224	245	136	187	211
Noncapital financing activities	(147)	(228)	(144)	(160)	(190)
Investing activities	—	—	—	3	2
Net increase (decrease)	77	17	(8)	30	23
Cash and cash equivalents, beginning of year	66	86	31	58	99
Cash and cash equivalents, end of year	$ 143	103	23	88	122

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

Notes to Financial Statements

Year ended September 30, 2009

(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	$	191	339	223	277	236	213	333	398
Interest on securities and temporary investments		19	40	19	30	3	5	52	64
Loss on sale of assets		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(112)	250	192	252	(48)	(35)	(3)	27
Loan and commitment fees		28	12	9	11	3	6	6	8
Administrative fees and other		(12)	(21)	(14)	(18)	(15)	(15)	(22)	(26)
Total operating revenues		114	620	429	552	179	174	366	471
Operating expenses:									
Interest		175	295	167	236	230	207	303	379
Amortization of bond issuance costs		33	14	9	13	3	6	8	9
Administrative fees and other		2	1	—	1	3	3	3	3
Total operating expenses		210	310	176	250	236	216	314	391
Operating income (loss)		(96)	310	253	302	(57)	(42)	52	80
Other financing sources (uses) – operating transfers		(295)	—	—	—	(675)	(780)	(902)	(847)
Change in net assets		(391)	310	253	302	(732)	(822)	(850)	(767)
Total net assets – beginning		391	1,018	829	724	732	822	868	784
Total net assets – ending	$	—	1,328	1,082	1,026	—	—	18	17
Net cash provided (used) by:									
Operating activities	$	4,419	1,439	774	983	5,989	5,898	7,085	8,480
Noncapital financing activities		(4,858)	(1,839)	(1,121)	(1,706)	(6,211)	(6,481)	(7,384)	(8,995)
Investing activities		18	42	23	38	3	7	51	64
Net increase (decrease)		(421)	(358)	(324)	(685)	(219)	(576)	(248)	(451)
Cash and cash equivalents, beginning of year		421	1,084	658	1,004	219	576	266	467
Cash and cash equivalents, end of year	$	—	726	334	319	—	—	18	16

(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	$ 81	172	379	203	213	195	167	221
Interest on securities and temporary investments	5	8	2	36	21	23	17	27
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	70	(79)	286	151	105	124	110	129
Loan and commitment fees	2	2	7	9	6	7	5	9
Administrative fees and other	(5)	(9)	(22)	(12)	(11)	(11)	(9)	(12)
Total operating revenues	153	94	652	387	334	338	290	374
Operating expenses:								
Interest	74	143	357	220	200	183	157	224
Amortization of bond issuance costs	3	3	8	12	7	8	5	9
Administrative fees and other	1	2	1	—	—	—	—	1
Total operating expenses	78	148	366	232	207	191	162	234
Operating income (loss)	75	(54)	286	155	127	147	128	140
Other financing sources (uses) – operating transfers	—	(765)	—	—	—	—	—	—
Change in net assets	75	(819)	286	155	127	147	128	140
Total net assets – beginning	114	819	579	264	544	508	294	273
Total net assets – ending	$ 189	—	865	419	671	655	422	413
Net cash provided (used) by:								
Operating activities	$ 250	4,481	1,249	910	936	745	470	917
Noncapital financing activities	(265)	(4,589)	(1,043)	(1,467)	(846)	(939)	(677)	(1,037)
Investing activities	6	8	2	38	21	24	17	27
Net increase (decrease)	(9)	(100)	208	(519)	111	(170)	(190)	(93)
Cash and cash equivalents, beginning of year	78	100	192	682	89	301	224	455
Cash and cash equivalents, end of year	$ 69	—	400	163	200	131	34	362

(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	$	329	8	364	376	357	355	315	401
Interest on securities and temporary investments		27	1	34	31	20	28	26	36
Loss on sale of assets		—	(9)	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		224	—	342	296	293	350	258	351
Loan and commitment fees		10	—	16	13	8	13	10	17
Administrative fees and other		(18)	—	(25)	(23)	(21)	(9)	(12)	(21)
Total operating revenues		572	—	731	693	657	737	597	784
Operating expenses:									
Interest		306	8	352	372	334	352	311	410
Amortization of bond issuance costs		9	2	15	13	8	12	10	18
Administrative fees and other		1	3	1	1	1	1	1	1
Total operating expenses		316	13	368	386	343	365	322	429
Operating income (loss)		256	(13)	363	307	314	372	275	355
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—	—
Change in net assets		256	(13)	363	307	314	372	275	355
Total net assets – beginning		542	237	593	381	403	348	473	301
Total net assets – ending	$	798	224	956	688	717	720	748	656
Net cash provided (used) by:									
Operating activities	$	1,064	45	1,734	1,629	955	1,333	1,253	1,963
Noncapital financing activities		(1,116)	(38)	(1,726)	(1,463)	(893)	(1,352)	(1,105)	(1,974)
Investing activities		26	(9)	32	30	19	28	25	35
Net increase (decrease)		(26)	(2)	40	196	81	9	173	24
Cash and cash equivalents, beginning of year		294	204	320	136	241	603	313	482
Cash and cash equivalents, end of year	$	268	202	360	332	322	612	486	506

(Continued)

(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	$ 411	390	410	420	456	462	538	535
Interest on securities and temporary investments	31	1	33	19	20	5	10	8
Loss on sale of assets	—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	355	392	421	443	562	583	861	490
Loan and commitment fees	17	9	20	16	14	14	26	21
Administrative fees and other	(21)	(16)	(17)	(16)	(27)	(15)	(35)	(18)
Total operating revenues	793	776	867	882	1,025	1,049	1,400	1,036
Operating expenses:								
Interest	415	377	420	405	441	469	533	562
Amortization of bond issuance costs	18	9	20	14	14	14	23	21
Administrative fees and other	1	1	1	1	1	1	1	2
Total operating expenses	434	387	441	420	456	484	557	585
Operating income (loss)	359	389	426	462	569	565	843	451
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—	—
Change in net assets	359	389	426	462	569	565	843	451
Total net assets – beginning	221	181	228	240	85	(135)	(591)	202
Total net assets – ending	$ 580	570	654	702	654	430	252	653
Net cash provided (used) by:								
Operating activities	$ 1,886	975	2,450	1,705	1,512	1,678	1,803	3,092
Noncapital financing activities	(2,014)	(916)	(2,223)	(1,555)	(1,409)	(1,385)	(2,422)	(2,350)
Investing activities	31	2	33	19	19	6	11	8
Net increase (decrease)	(97)	61	260	169	122	299	(608)	750
Cash and cash equivalents, beginning of year	510	304	521	190	401	309	894	290
Cash and cash equivalents, end of year	$ 413	365	781	359	523	608	286	1,040

(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	$	629	606	612	751	803	812	915	832
Interest on securities and temporary investments		7	32	29	55	65	12	13	65
Loss on sale of assets		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		705	752	876	725	810	882	1,000	1,027
Loan and commitment fees		20	24	23	25	28	23	24	32
Administrative fees and other		(16)	(33)	(34)	(39)	(37)	(53)	(45)	—
Total operating revenues		1,345	1,381	1,506	1,517	1,669	1,676	1,907	1,956
Operating expenses:									
Interest		632	587	570	758	832	785	904	906
Amortization of bond issuance costs		17	22	22	25	33	23	27	38
Administrative fees and other		2	2	2	2	2	1	1	1
Total operating expenses		651	611	594	785	867	809	932	945
Operating income (loss)		694	770	912	732	802	867	975	1,011
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—	—
Change in net assets		694	770	912	732	802	867	975	1,011
Total net assets – beginning		119	(69)	(173)	83	101	(101)	(130)	(114)
Total net assets – ending	$	813	701	739	815	903	766	845	897
Net cash provided (used) by:									
Operating activities	$	2,369	2,389	1,920	3,164	3,683	2,974	3,958	3,811
Noncapital financing activities		(1,930)	(2,395)	(2,743)	(3,227)	(4,297)	(2,994)	(3,432)	(4,739)
Investing activities		9	32	34	53	68	21	21	73
Net increase (decrease)		448	26	(789)	(10)	(546)	1	547	(855)
Cash and cash equivalents, beginning of year		543	1,111	1,343	1,541	2,154	1,500	1,414	2,515
Cash and cash equivalents, end of year	$	991	1,137	554	1,531	1,608	1,501	1,961	1,660

(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	2008 Draw Down	2009 Short Term	Total Single Family Mortgage Programs
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	$	813	38,498	—	—	55,535
Interest on securities and temporary investments		45	2,833	124	702	4,687
Loss on sale of assets		—	—	—	—	(9)
Net increase (decrease) in fair value of investments		909	39,686	—	156	55,291
Loan and commitment fees		29	762	—	—	1,344
Administrative fees and other		(39)	(1,513)	—	—	(2,343)
Total operating revenues		1,757	80,266	124	858	114,505
Operating expenses:						
Interest		775	41,038	123	922	58,710
Amortization of bond issuance costs		35	704	—	23	1,347
Administrative fees and other		1	88	3	2	151
Total operating expenses		811	41,830	126	947	60,208
Operating income (loss)		946	38,436	(2)	(89)	54,297
Other financing sources (uses) – operating transfers		—	6,043	3	344	2,126
Change in net assets		946	44,479	1	255	56,423
Total net assets – beginning		(282)	9,394	(1)	—	23,115
Total net assets – ending	$	664	53,873	—	255	79,538
Net cash provided (used) by:						
Operating activities	$	2,937	(52,577)	(2)	341	46,072
Noncapital financing activities		(4,224)	110,122	(126,772)	124,659	3,760
Investing activities		57	3,247	124	(124,512)	(120,064)
Net increase (decrease)		(1,230)	60,792	(126,650)	488	(70,232)
Cash and cash equivalents, beginning of year		2,287	84,968	126,650	—	239,194
Cash and cash equivalents, end of year	$	1,057	145,760	—	488	168,962

(Continued)

(In thousands)

(18) Segment Financial Information

Balance Sheets

	Rental Housing Mortgage Programs				
Assets	**1987 Series A, B**	**1997 Series B**	**1998 Series A, B**	**2001 Series A, B, C, D**	**2001 Series E**
Current assets:					
Restricted cash and cash equivalents	$ —	85	174	—	135
Accrued interest receivable	1	18	—	84	—
Other current assets	—	—	—	—	—
Intra-entity receivable (payable)	(1)	(1)	(3)	(12)	(6)
Total current assets	—	102	171	72	129
Noncurrent assets:					
Restricted cash and cash equivalents	—	7	—	360	183
Note receivable	9,900	—	—	—	—
Restricted securitized mortgage loans, net:					
Securitized mortgage loans, net cost	—	3,593	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	23	—	—	—
Total restricted securitized mortgage loans, net	—	3,616	—	—	—
Restricted mortgage loans, net	—	—	8,102	19,015	9,391
Bond issuance costs, net	—	—	—	—	—
Total noncurrent assets	9,900	3,623	8,102	19,375	9,574
Total assets	$ 9,900	3,725	8,273	19,447	9,703
Liabilities and Net Assets					
Current liabilities:					
Accrued interest payable	$ —	50	107	238	196
Accounts payable and other accrued expenses	—	—	5	2	25
Current portion of bonds payable	—	85	210	—	135
Total current liabilities	—	135	322	240	356
Noncurrent liabilities:					
Bonds payable, net	9,900	3,450	7,945	19,015	9,310
Accrued arbitrage rebate	—	25	1	—	—
Total noncurrent liabilities	9,900	3,475	7,946	19,015	9,310
Total liabilities	9,900	3,610	8,268	19,255	9,666
Net assets restricted for debt service	—	115	5	192	37
Total liabilities and net assets	$ 9,900	3,725	8,273	19,447	9,703

(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	$ 125	125	240	150	71	140	145
Accrued interest receivable	49	40	40	55	41	47	50
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	(1)	—	—
Total current assets	174	165	280	205	111	187	195
Noncurrent assets:							
Restricted cash and cash equivalents	449	266	273	364	—	335	383
Note receivable	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	—	—	—	—	—	—	—
Restricted mortgage loans, net	8,961	8,556	8,838	11,478	7,271	10,310	11,020
Bond issuance costs, net	165	72	201	76	—	46	103
Total noncurrent assets	9,575	8,894	9,312	11,918	7,271	10,691	11,506
Total assets	$ 9,749	9,059	9,592	12,123	7,382	10,878	11,701
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 139	39	39	55	40	47	48
Accounts payable and other accrued expenses	—	—	—	—	2	—	—
Current portion of bonds payable	125	125	240	150	77	140	145
Total current liabilities	264	164	279	205	119	187	193
Noncurrent liabilities:							
Bonds payable, net	9,561	8,885	9,085	11,970	7,237	10,720	11,475
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	9,561	8,885	9,085	11,970	7,237	10,720	11,475
Total liabilities	9,825	9,049	9,364	12,175	7,356	10,907	11,668
Net assets restricted for debt service	(76)	10	228	(52)	26	(29)	33
Total liabilities and net assets	$ 9,749	9,059	9,592	12,123	7,382	10,878	11,701

(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**	**2008 Series A,B**	**Total Rental Housing Mortgage Programs**
Current assets:							
Restricted cash and cash equivalents	$ 60	165	—	60	100	—	1,775
Accrued interest receivable	16	52	36	25	59	4	617
Other current assets	—	—	6	—	—	—	6
Intra-entity receivable (payable)	—	—	—	—	(7)	—	(31)
Total current assets	76	217	42	85	152	4	2,367
Noncurrent assets:							
Restricted cash and cash equivalents	136	337	118	230	—	292	3,733
Note receivable	—	—	—	—	—	—	9,900
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	3,593
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	—	23
Total restricted securitized mortgage loans, net	—	—	—	—	—	—	3,616
Restricted mortgage loans, net	3,834	12,174	9,230	5,552	13,910	8,648	156,290
Bond issuance costs, net	—	172	—	—	—	—	835
Total noncurrent assets	3,970	12,683	9,348	5,782	13,910	8,940	174,374
Total assets	$ 4,046	12,900	9,390	5,867	14,062	8,944	176,741
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 16	52	72	25	158	4	1,325
Accounts payable and other accrued expenses	2	—	1	1	—	40	78
Current portion of bonds payable	60	165	—	60	113	—	1,830
Total current liabilities	78	217	73	86	271	44	3,233
Noncurrent liabilities:							
Bonds payable, net	4,021	12,715	9,230	5,841	13,867	8,900	173,127
Accrued arbitrage rebate	—	—	—	—	—	—	26
Total noncurrent liabilities	4,021	12,715	9,230	5,841	13,867	8,900	173,153
Total liabilities	4,099	12,932	9,303	5,927	14,138	8,944	176,386
Net assets restricted for debt service	(53)	(32)	87	(60)	(76)	—	355
Total liabilities and net assets	$ 4,046	12,900	9,390	5,867	14,062	8,944	176,741

(Continued)

(In thousands)

(18) Segment Financial Information

Statements of Revenues, Expenses, and Changes in Net Assets		Rental Housing Mortgage Programs: 1987 Series A, B	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	210	435	1,008	561
Interest on securities and temporary investments		—	5	—	1	—
Net increase (decrease) in fair value of investments		—	9	—	—	—
Loan and commitment fees		—	—	—	—	—
Administrative fees and other		(12)	(5)	33	(48)	5
Total operating revenues		746	219	468	961	566
Operating expenses:						
Interest expense		718	202	435	951	562
Amortization of bond issuance costs		—	—	—	—	—
Provision (recovery) for loan losses		—	—	—	—	—
Administrative fees and other		28	1	33	6	5
Total operating expenses		746	203	468	957	567
Operating income (loss)		—	16	—	4	(1)
Other financing sources (uses) – operating transfers		—	—	—	—	—
Change in net assets		—	16	—	4	(1)
Total net assets – beginning		—	99	5	188	38
Total net assets – ending	$	—	115	5	192	37
Condensed Statement of Cash Flows						
Net cash provided by (used in):						
Operating activities	$	718	282	636	954	697
Noncapital financing activities		(718)	(283)	(637)	(951)	(695)
Investing activities		—	5	1	1	3
Net increase (decrease)		—	4	—	4	5
Cash and cash equivalents, beginning of year		—	88	174	356	313
Cash and cash equivalents, end of year	$	—	92	174	360	318

(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	$	545	463	469	638	493	558	585
Interest on securities and temporary investments		20	15	21	26	—	18	23
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	—
Loan and commitment fees		8	7	8	10	—	9	10
Administrative fees and other		—	—	—	—	(11)	—	—
Total operating revenues		573	485	498	674	482	585	618
Operating expenses:								
Interest expense		543	469	480	660	478	569	583
Amortization of bond issuance costs		10	4	11	4	—	2	5
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		—	2	3	3	39	3	3
Total operating expenses		553	475	494	667	517	574	591
Operating income (loss)		20	10	4	7	(35)	11	27
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		20	10	4	7	(35)	11	27
Total net assets – beginning		(96)	—	224	(59)	61	(40)	6
Total net assets – ending	$	(76)	10	228	(52)	26	(29)	33
Condensed Statement of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	662	578	692	779	552	685	721
Noncapital financing activities		(683)	(589)	(711)	(801)	(550)	(700)	(723)
Investing activities		21	15	21	26	—	18	23
Net increase (decrease)		—	4	2	4	2	3	21
Cash and cash equivalents, beginning of year		574	387	511	510	69	472	507
Cash and cash equivalents, end of year	$	574	391	513	514	71	475	528

(Continued)

(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	2008 Series A,B	Total Rental Housing Mortgage Programs
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	191	620	508	306	878	—	9,226
Interest on securities and temporary investments		1	16	—	1	(132)	62	77
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	9
Loan and commitment fees		3	11	—	5	—	—	71
Administrative fees and other		—	—	3	—	24	—	(11)
Total operating revenues		195	647	511	312	770	62	9,372
Operating expenses:								
Interest expense		192	630	431	306	904	61	9,174
Amortization of bond issuance costs		(1)	6	—	(1)	—	—	40
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		2	4	3	3	71	1	210
Total operating expenses		193	640	434	308	975	62	9,424
Operating income (loss)		2	7	77	4	(205)	—	(52)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		2	7	77	4	(205)	—	(52)
Total net assets – beginning		(55)	(39)	10	(64)	129	—	407
Total net assets – ending	$	(53)	(32)	87	(60)	(76)	—	355
Condensed Statement of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	240	773	510	361	(958)	(8,612)	270
Noncapital financing activities		(243)	(786)	(431)	(367)	(984)	8,842	(2,010)
Investing activities		1	17	—	1	(124)	62	91
Net increase (decrease)		(2)	4	79	(5)	(2,066)	292	(1,649)
Cash and cash equivalents, beginning of year		198	498	39	295	2,166	—	7,157
Cash and cash equivalents, end of year	$	196	502	118	290	100	292	5,508

(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	—	—	—
Total restricted 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)
Total restricted 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
Total restricted 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
Total restricted 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)

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

Notes to Financial Statements

September 30, 2008

(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)
Total restricted 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)
Total restricted 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)
Total restricted 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

(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	—	—	—

(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

	Single Family Mortgage Programs							
Statements of Revenues, Expenses, and Changes in Net 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**
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)

(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

(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**	**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	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		—	—	3,671	—	—	—
Unrealized gain (loss) securitized mortgage loans		—	—	14	—	—	—
Total restricted securitized mortgage loans, net		—	—	3,685	—	—	—
Restricted 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	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	—	—	—	—	—	—	—
Restricted 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
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		—	—	—	—	—	3,671
Unrealized gain (loss) securitized mortgage loans		—	—	—	—	—	14
Total restricted securitized mortgage loans, net		—	—	—	—	—	3,685
Restricted 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

Statements of Revenues, Expenses, and Changes in Net Assets		Rental Housing Mortgage Programs 1987 Series A, B	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

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
		Rental Housing Mortgage Programs						
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)

(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

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, 2009

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	$	1,130,416
Rural Community Development Initiative	10.446	N/A		36,593
Total U.S. Department of Agriculture				1,167,009
U.S. Department of Housing and Urban Development:				
Mortgage Insurance – Homes (FHA)*	14.117	N/A		4,477,469
Housing Counseling Program	14.169	HC05-0899-002		144,162
542(c) Risk Sharing Program*	14.188	N/A		90,184,928
Emergency Shelter Grants Program	14.231	S06DC3-50001		720,473
HOME Investment Partnerships Program	14.239	M06SG-35-0100		8,908,974
Housing Opportunities for Persons with AIDS	14.241	NMH06-F-999		576,717
Training and Technical Assistance	14.227	NMHM00104		76,728
Community Development Block Grant pass-through State DFA	14.228	06-C-NR-I-7-G-35		762,640
Neighborhood Stabilization Program pass-through State DFA	14.228	N/A		109,941
Rural Housing and Economic Development Program	14.250	RH-05-NM-I-0022		117,165
ARRA – Homelessness Prevention and Rapid Re-Housing Program **	14.257	S-09-DY-35-0001		45,225
Section 8 Housing Choice Vouchers	14.871	NM800CC001		24,719,199
Total U.S. Department of Housing and Urban Development				130,843,621
U.S. Department of the Treasury, pass-through from Neighborworks America				
National Foreclosure Mitigation Counseling	21.000	PL110-161:95X1350		88,301
U.S. Department of Energy:				
Weatherization Assistance for Low Income Persons*	81.042	DE-FG26-03R830006, A009		2,253,016
ARRA – Weatherization Assistance for Low Income Persons *, **	81.042	DE:EE0000104		466,586
Total U.S. Department of Energy				2,719,602
U.S. Department of Health and Human Services pass-through from the New Mexico Department of Human Services				
Low-Income Home Energy Assistance Program*	93.568	03-43		1,769,147
Total federal awards			$	136,587,680

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

** American Recovery and Reinvestment Act (ARRA) of 2009

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, 2009 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, 2009, the Authority serviced $4,477,000 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 multifamily housing project loans. HUD and the Authority share in the risk of loss on the mortgage. HUD has assumed 90% of the risk in 40 loans. HUD's assumed risk approximated $109,892,000 at September 30, 2009. Of the 40 loans closed, the Authority funded 27 loans with outstanding principal of $100,205,000 at September 30, 2009. HUD's assumed risk of loss of approximately $90,185,000 related to these 27 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, 2009, the loan had an outstanding principal of $1,256,000, of which the USDA assumed risk of loss of approximately $1,130,000 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)

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

Notes to the Schedule of Expenditures of Federal Awards

September 30, 2009

(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	$	36,593
U.S. Department of Housing and Urban Development:			
Housing Counseling Program	14.169		135,750
Emergency Shelter Grants Program	14.231		699,599
HOME Investment Partnerships Program	14.239		8,362,358
Housing Opportunities for Persons with AIDS	14.241		561,088
Rural Housing and Economic Development Program	14.250		114,876
Community Development Block Grant	14.228		724,949
Section 8 Housing Choice Vouchers	14.871		23,495,703
Total U.S. Department of Housing and Urban Development			34,094,322
U.S. Department of the Treasury:			
National Foreclosure Mitigation Counseling	21.000		84,948
U.S. Department of Energy:			
Weatherization Assistance Program for Low Income Persons	81.042		2,197,269
ARRA – Weatherization Assistance Program for Low Income Persons *	81.042		341,744
Total U.S. Department of Energy			2,539,013
U.S. Department of Health and Human Services:			
Low-Income Home Energy Assistance Program	93.568		1,715,762
Total federal assistance awarded to subrecipients		$	38,470,637

*American Recovery and Reinvestment Act of 2009

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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, 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 deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 4, 2010

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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, 2009. The Authority's major federal programs are identified in the summary of auditors' 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.

As described in finding 2009-03 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Subrecipient Monitoring that are applicable to its Weatherization Assistance for Low Income Persons Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 2009 -1, 2009-2, and 2009-4.

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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2009-01 and 2009-03 to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider finding 2009-03 to be a material weakness.

Other control findings not considered significant deficiencies or material weaknesses are described in the accompanying schedule of findings and questioned costs as findings 2009-02 and 2009-04.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response, and accordingly, we express no opinion on it.

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 4, 2010

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

Summary Schedule of Prior Year Audit Findings

September 30, 2009

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, 2009

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

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

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

Identification of major programs:

Program name	CFDA number
Mortgage Insurance – Homes (FHA)	14.117
542 (c) Risk Sharing Program	14.188
Weatherization Assistance for Low Income Persons	81.042
ARRA – Weatherization Assistance for Low Income Persons	81.042
Low-Income Home Energy Assistance	93.568

Dollar threshold used to distinguish between type A and type B programs $1,246,648

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

Finding 2009-01 – Cash Management

U.S. Department of Energy (DOE)

American Recovery and Reinvestment Act (ARRA) – Weatherization Assistance for Low Income Persons Program (WAP) – CFDA 81.042

Grant No.: DE:EE0000104

Fiscal program award years April 1, 2009 – March 31, 2012

Type of Finding: *Noncompliance and Significant Deficiency of Internal Controls*

Condition

The Authority and its subcontractors are allowed to request for advance payments from DOE provided that the period of time between the transfer of funds and the disbursement is minimized. KPMG reviewed four advance drawdowns requested by the Authority each of which was timely disbursed to the program's subrecipients. Out of the four advance payments tested, it appears that three advances were not expended in a timely manner by the subrecipients (i.e., as of October 31, 2009, the Authority did not have evidence that the subrecipients spent the total advanced federal funds.) One subrecipient was advanced $56,000 on July 17, 2009 of which the Authority had evidence of $44,773 spent as of October 31, 2009 and another subrecipient was advanced two payments of $170,000 on August 17, 2009 and $144,000 on September 28, 2009 of which the Authority only had evidence of $121,718 spent as of October 31, 2009. These are periods longer than typically expected or allowed per the applicable requirements for expending grant advances.

Criteria

Per the DOE Assistance Agreement, the Authority may request funds as frequently as required to meet the need to disburse funds for the federal share of project costs. If feasible the timing of each request should be to receive payment on the same day that the funds are disbursed for direct project costs and the proportionate share of any allowable indirect cost. If same day transfers are not feasible, advance payments must be as close as is administratively feasible to actual disbursements.

Per the OMB Circular A-133 Compliance Supplement and DOE Assistance regulations 10 CFR 600.21, Grantees and subrecipients shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the recipient or subrecipient.

Cause

The Authority primarily utilizes not-for-profit subrecipients to deliver the WAP services within the State of New Mexico. These not-for-profit entities typically do not have adequate cash reserves to operate the WAP program on a reimbursement basis. As a result, the Authority allows the subrecipients to request advance funding to provide working capital for this program. The ARRA WAP program funding is substantially larger than previous WAP program funding and there is an expectation regarding ARRA funds that they be utilized quickly throughout the service areas. As a result, the subrecipients requested large advances of ARRA WAP funds. However, some subrecipients had delays in utilizing the funds during this start-up phase (for instance, one subrecipient did not have an adequate internal workforce to support the increased workload and had to hire and train third-party contractors).

Under normal WAP program operations, the Authority advances funds monthly by analyzing the subrecipients' pipeline of projects and fund needs in order to calculate an advance. The Authority then has an informal review process whereby the Authority's program management monitors subrecipient expenses via subsequent invoices. As noted above, due to the start-up phase situation for the ARRA funds, certain subrecipients were not able to spend the advance payments awarded by the Authority in their typical manner. As a result, it appears that the Authority's normal approach for advancing funds and for monitoring those advances did not prove effective.

Effect

Based on the monitoring method in place and supporting documentation maintained, the Authority may have advanced excess funds to the subrecipients which would not be in accordance with the Authority's grant agreement, the DOE's Assistance Regulations, or OMB Circular A-133.

Questioned Cost

Less than $500. The questioned cost would be equal to the interest earned on the unspent advanced funds. Given the low interest rate offered on treasury securities, the amount of interest "lost" by the federal government would be minimal.

Recommendation

We recommend that the Authority examine the adequacy of its current method of tracking advance payments (via the subsequent unit completion invoices) to assure that the advance payments awarded will not exceed the immediate needs of the subrecipient.

Management Response

Initially, the subrecipients were prepared to go forward with program operations and anticipated spending the cash advance within a reasonable time frame. However, as a result of the delay in receiving Davis-Bacon guidance from DOE, production implementation by subrecipients was delayed causing a delay in the use of the cash advance. In the future, the Authority will adjust the cash advanced to subrecipients based on monthly operations. In addition, the Authority will add cash advances to the subrecipient monitoring instrument in order to monitor the status and use of advances.

(Continued)

Finding 2009-02 – Reporting

U.S. Department of Energy (DOE)

Weatherization Assistance for Low Income Persons Program (WAP) (Non-ARRA) – CFDA 81.042

Grant No.: DE:FG-26-03R830006

Fiscal program award year July 1, 2008 – June 30, 2009

Type of Finding: *Noncompliance and Deficiency of Internal Controls*

Condition

The Authority is required to complete and submit required programmatic and financial reports to the DOE per the DOE assistance agreement and OMB Circular A-133. Out of the five reports tested, we noted the following issues:

- The 4th quarter SF-269 report was not properly prepared as the Indirect Expenses section of the report was not completed although it is applicable to this grant.
- The 4th quarter Weatherization Assistance Report was not properly prepared as the average cost per unit report omitted units completed using matching funds. The understatement in units completed results in an average cost per unit on the report that is higher than the allowable average. Had the correct number of completed units been included on the report, the average cost per unit would have been lower than the allowable average.

Criteria

Per the OMB Circular A-133 Compliance Supplement and the DOE Assistance Agreements for Non-ARRA funds, the Authority is required to properly complete and submit the following reports:

- SF-269, Financial Status Report (quarterly and at annual close-out)
- WAP Monitoring, Training and Technical Assistance, and Leveraging Report (annual)
- Weatherization Assistance Report (quarterly)
- Special Status Reports (as applicable)

Cause

The Authority did not properly complete and review the reports prior to submission to the funding agency.

Effect

The program did not properly prepare and present two of the required reports, and therefore is not in compliance with the grant agreement reporting requirements.

Questioned Cost

Questioned costs are not applicable to this finding as the indirect costs are allowable and were properly computed and the actual average cost per completed unit is in compliance with federal requirements.

Recommendation

In completing and reviewing the required reports, we recommend that the Authority assure the reports are accurate upon submission to the funding agent.

Management Response

The reports went through two levels of review. However, these errors were not caught. This was the first year the indirect cost rate approach was used, which caused the reporting oversight. DOE and matching fund unit averages were reviewed on separate reports to ensure compliance with DOE requirements, rather than on a combined basis as indicated on the DOE report. The June 30, 2009 final reports have been corrected and resubmitted to DOE.

(Continued)

Finding 2009-03 – Subrecipient Monitoring

U.S. Department of Energy (DOE)

Weatherization Assistance for Low Income Persons Program (WAP) (Non-ARRA) – CFDA 81.042

Grant No.: DE:FG-26-03R830006

Fiscal program award year July 1, 2008 – June 30, 2009

Type of Finding: *Material Noncompliance and Material Weakness of Internal Controls*

Condition

The Authority is required to complete an annual on-site subgrantee monitoring review and an inspection of at least 5% unit files and completed units. Out of the four subgrantees utilized by the Authority in the 2008–2009 program year, we noted the following:

- One subgrantee did not have an annual monitoring review completed during the program year of July 1, 2008 to June 30, 2009. Per the DOE Assistance Agreement, the review was to occur in April/May 2009, but the review was not completed until September 2009. Therefore, the subgrantee did not have an annual review performed over a period of approximately 15 months. It was noted that the 5% unit file and completed unit inspections did occur during the year.
- One subgrantee did not have the required 5% unit file and completed unit inspections completed during the program year. It was noted that the annual monitoring review was completed during the year.

Criteria

Per the DOE Assistance Agreement and the DOE Weatherization Program Notice 09-1, the Authority is required to conduct a comprehensive monitoring of each subgrantee at least once a year. The comprehensive monitoring must include a review of the client files and subgrantee records, as well as actual inspections of at least 5% of the completed units.

Cause

The Authority was awarded ARRA funds for this program effective April 2009 and management indicates that its resources were redirected towards preparation and implementation of this new program. As a result, the Authority was not able to complete the annual monitoring reviews or the 5% unit files and completed unit inspections in the period originally and typically scheduled.

Effect

The Authority did not complete all required subgrantee monitoring reviews and therefore the subgrantees may not be operating in accordance with the DOE Assistance Agreement or the Authority's Subcontractor Agreement.

(Continued)

Questioned Cost

Undeterminable.

Recommendation

We recommend that the Authority's management assure that they have the adequate resources to timely complete the required monitoring reviews.

Management Response

Although all subgrantee monitorings were completed by September 2009; they were not done within the program year ending June 2009. As a result, Management recognized the need for additional staff to conduct ongoing monitoring and therefore hired additional staff in September 2009 for this purpose.

Finding 2009-04 – Special Tests and Provisions

U.S. Department of Energy (DOE)

American Recovery and Reinvestment Act (ARRA) – Weatherization Assistance for Low Income Persons Program (WAP) – CFDA 81.042

Grant No.: DE:EE0000104

Fiscal program award year April 1, 2009 – March 31, 2012

Type of Finding: *Noncompliance and Deficiency of Internal Controls*

Condition

When utilizing ARRA funds, the Authority is required to separately identify and present specific information regarding the ARRA funds in its communications with the subrecipients. Of the seven ARRA disbursements to subrecipients selected for testwork, none of the disbursements identified the program's federal award number or the CFDA number as required. However, the disbursements did indicate that the source of the disbursements were ARRA funds.

Criteria

Per the DOE Assistance Agreement, the Authority is required to separately identify to each subrecipient, and document at the time of subaward and disbursement of funds, the federal award number, CFDA number, and the amount of ARRA funds.

Cause

This is a new program and the Authority was unfamiliar with this communication requirement that is unique to ARRA grant funds.

Effect

The Authority did not specifically present certain required ARRA fund information in its disbursements to the subrecipient. This could lead to misinterpretation or commingling of funds by the subrecipient.

Questioned Cost

None. Questioned costs are not applicable to this finding.

Recommendation

We recommend that the Authority's management modify the information included in its disbursements to subrecipients to assure that all the required ARRA elements are included.

Management Response

The required ARRA elements were provided to the subrecipients at the time of subaward. Effective November 2009 the Authority modified the disbursement information to include required ARRA elements.

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, 2009

	CUSIP	Rate	Maturity		Bank balance	Book balance
Wells Fargo NMMFA Housing Programs repurchase agreement				$	1,736,000	1,791,000
FDIC Insurance					(231,000)	
Uninsured public funds				$	1,505,000	
102% collateral requirement				$	1,535,000	
Collateral (at fair value):						
FNMA pooled security	31391QJL9	6.00%	11/1/2032	$		
FNMA pooled security	36225BDL9	6.50	3/15/2029			
Total collateral (at fair value)				$	1,535,000	
Over collateral requirement				$	—	

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

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

Exit Conference

Year ended September 30, 2009

Exit Conference

An exit conference was conducted on December 15, 2009 in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority	
Justin Harper	Chair, Finance Committee
Jay Czar	Executive Director
Gina Hickman	Deputy Director of Finance and Administration
Joseph Montoya	Deputy Director of Programs
Yvonne Segovia	Controller
KPMG LLP	
John Kennedy	Partner
Jaime Clark	Senior Manager