KPMG

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Financial Statements
and Single Audit Reports

September 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

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

Table of Contents

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

Board of Directors

September 30, 2010 and 2009

Name	**Title**
Diane D. Denish, New Mexico Lieutenant Governor	Chair
Michael Sivage	Vice Chair
Justin Harper	Treasurer
James B. Lewis, New Mexico State Treasurer	Member
Gary King, New Mexico Attorney General	Member
Sharron Welsh	Member
Daniel Burrell	Member

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
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, 2010 and 2009, 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, 2010 and 2009, 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 7, 2011 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 11 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 7, 2011

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, 2010 and 2009. 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):

		2010	2009	2008
Cash and cash equivalents (unrestricted and restricted)	$	285,257	202,338	274,953
Investments (unrestricted and restricted)		36,611	154,141	36,481
Mortgage-backed securities and mortgage loans receivable		1,349,748	1,353,693	1,272,524
Total assets		1,706,826	1,743,190	1,614,744
Bonds payable		1,443,499	1,512,275	1,441,952
Total liabilities		1,470,500	1,538,017	1,467,294
Total net assets		236,326	205,173	147,450
Total operating revenues		108,556	135,848	93,233
Total operating expenses		78,074	79,245	78,521
Operating income		30,482	56,603	14,712
Total nonoperating revenues		671	1,120	3,092
Change in net assets		31,153	57,723	17,804

Financial Position

The net assets of the Authority increased $31.2 million from September 30, 2009 to September 30, 2010 and increased $57.7 million from September 30, 2008 to September 30, 2009. The following table is a condensed summary of net assets at September 30, 2010, 2009, and 2008 (in thousands):

		2010	2009	2008
Assets:				
Current assets	$	63,610	179,657	179,178
Noncurrent assets		1,643,216	1,563,533	1,435,566
Total assets		1,706,826	1,743,190	1,614,744
Liabilities:				
Current liabilities		44,251	166,019	163,572
Noncurrent liabilities		1,426,249	1,371,998	1,303,722
Total liabilities		1,470,500	1,538,017	1,467,294
Net assets:				
Invested in capital assets, net of related debt		(726)	(661)	(586)
Restricted		101,044	79,995	23,627
Restricted for land title trust and housing trust		19,807	18,111	17,250
Unrestricted		116,201	107,728	107,159
Total net assets	$	236,326	205,173	147,450

Comparison of Years Ended September 30, 2010 and 2009

The increase in cash and cash equivalents of $82.9 million reflects increased repayments from securitized mortgage loans (mortgage-backed securities or MBSs), mortgage loan prepayments (payoffs), and excess revenues held at September 30, 2010 in anticipation of bond redemptions scheduled for January 1. Additionally, as of September 30, 2010, the Authority was carrying $155 million in escrow bonds whose proceeds are invested in U.S. Treasury designated money market funds resulting from participation in a U.S. Treasury's initiative referred to as the New Issue Bond Program (NIBP). These escrow bonds will be converted to long-term interest rates on various dates through December 31, 2011 in conjunction with the issuance of new single family mortgage revenue bonds. The NIBP bonds also serve as a mechanism to preserve Private Activity Bond Volume Cap (Cap) as a portion of such bonds were originally issued to refund maturities and redemptions of previously issued single family mortgage revenue bonds (Prior Bonds), thereby preserving the Cap associated with Prior Bonds, to the extent permitted by federal income tax law. In addition, a portion of the NIBP was issued to preserve current Cap not previously allocated to the issuance of tax-exempt bonds. In previous years, before collapse of the financial markets, the Authority had utilized Draw Down facilities and short-term Federal Home Loan Bank (FHLB) borrowings for this purpose. Cap is the federally limited authority to issue certain tax-exempt bonds including mortgage revenue bonds. The Cap that has been stored through the issuance of the NIBP escrow bonds will be utilized for the purchase of MBSs backed by mortgage loans to first time homebuyers in the State of New Mexico when such bonds are released from escrow and converted to long-term rates. These increases in cash and cash equivalents are offset by a decrease of $72.8 million in acquisition fund balances held to purchase

MBS and the maturity of the short-term $125.5 million FHLB borrowing/security initiated in 2009 to preserve volume cap. The Authority purchased $179.5 million in MBSs and $14.9 million in whole loans during the year; however, MBS and whole loan purchases were offset by MBS prepayments of $148 million and whole loan prepayments of $1.3 million, reflected in the $3.9 million net decrease of MBS and mortgage loans receivable. The $117.5 million decrease in investments is attributed to the $125.5 million maturity of the FHLB borrowing and related security utilized to preserve Cap. The overall effect of these elements resulted in the 2.1% decrease in total assets. Over the past year, the Authority experienced a $68.8 million net decrease in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were $264.5 million; bond repayments and refundings totaled $330.5 million, resulting in the net decrease for the year. The Authority received $210.7 million repayments of securitized mortgage loans and $10.9 million repayments of whole loans during the year.

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 FHLB security resulting from a FHLB short-term bond utilized to hold obligations issued to refund maturities and redemptions of previously issued Prior Bonds, thereby preserving the 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.

Change in Financial Position

The Authority's operating income for the year decreased by approximately $26.1 million when compared to fiscal year 2009. The following table is a condensed summary of changes in net assets for the years ended September 30, 2010, 2009, and 2008 (in thousands):

		2010	2009	2008
Operating revenues:				
Interest on loans and MBS	$	65,993	68,633	63,818
Interest on securities and investments		5,829	6,909	15,624
Program revenues		1,632	1,749	1,776
Net increase in fair value of investments		24,726	55,269	9,678
Loan and commitment fees		2,240	1,434	1,583
Administrative fees and other revenues		8,136	1,854	754
Total operating revenues		108,556	135,848	93,233
Operating expenses:				
Interest expense		66,607	68,769	69,323
Administrative fees and other expenses		11,467	10,476	9,198
Total operating expenses		78,074	79,245	78,521
Operating income		30,482	56,603	14,712
Nonoperating revenues (expenses):				
Grant award income		89,368	42,781	37,002
Grant award expense		(89,368)	(42,781)	(37,002)
State appropriations		750	1,250	3,000
Land title trust contributions		11	25	100
Land title trust grant distributions		(90)	(155)	(8)
		671	1,120	3,092
Change in net assets		31,153	57,723	17,804
Total net assets, beginning of year		205,173	147,450	129,646
Total net assets, end of year	$	236,326	205,173	147,450

Comparison of Years Ended September 30, 2010 and 2009

The change in fair value of securities for 2010 was an increase of $24.7 million compared to an increase of $55.3 million in 2009. This line represents an increase in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2010 compared to their fair value at September 30, 2009 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 2009 to 2010 is a decrease over prior year of $30.5 million. Without the GASB No. 31 adjustment, operating gain increased $4.4 million compared to prior year.

(Continued)

In 2010, the nonoperating revenues decreased by $.5 million due to the Authority recognizing in 2010 $.5 million less in state appropriations as the administrator of the New Mexico Housing Trust Fund. The trust fund was enacted by the New Mexico State Legislature. Operating revenues decreased $27.3 million from 2009 to 2010, primarily due to the difference in the GASB No. 31 adjustment as described above. Without the GASB No. 31 adjustment, operating revenues were approximately $3.3 million more than 2009. Although the low interest rate environment continued to moderate, affecting interest income-related revenue, this was offset by the additional fees associated with administering Housing and Economic Recovery Act of 2008 (HERA) and American Recovery and Reinvestment Act of 2009 (ARRA) programs. As a result, the Authority experienced an increase of $6.3 million for administrative fees and other income. As a result of lower MBS and mortgage loan production throughout the prior year, the Authority experienced a decrease in mortgage interest revenue of approximately $2.6 million in the current year. As rates continued to decline, interest revenue from investment securities decreased over the prior year by approximately $1.1 million.

Operating expenses decreased by $1.2 million, 1.5%, primarily due to decreased interest expense of $2.2 million associated with bond redemptions due to prepayments and the maturity of the FHLB short-term borrowing utilized to preserve Cap. Prepayments during this fiscal year increased by 23%. The decrease was offset by an increase of $1 million in administrative expenses incurred on the new HERA and ARRA programs.

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 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 did not impact interest expense as would be expected because of the significant increase in prepayments during this fiscal year (42%).

Debt Administration

The Authority continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority (Cap) while managing risk and responding to changing capital markets. The NIBP is the mechanism currently in place to achieve those goals. The NIBP program, the U.S. Treasury's initiative, was created for housing finance agencies across the country and is intended to provide a lower cost of funds for first-time homebuyer mortgage revenue bonds resulting in lower mortgage rates as well as decreased negative arbitrage. As noted above, the NIBP program is available to the Authority through December 31, 2011.

During fiscal year 2010, the Authority issued $101.6 million of Single Family Program revenue bonds, $74.8 million less than the $176.4 million issued in 2009. The reduced production is attributed to a change in the loan origination business model being utilized by the Authority. Rather than issuing bonds and then originating loans, loans are originated first, warehoused and then bonds are issued. As part of the NIBP, 60% of debt issued carries an interest rate ceiling that was locked in advance thus reducing interest rate risk normally associated with this loan origination model, as well as allowing the Authority to adjust mortgage rates in line with the conventional market. In October 2010, the Authority issued $70 million in tax-exempt bonds to fund loans originated in fiscal year 2010. The Authority redeemed $201.3 million of Single Family Program bonds due to prepayments, compared to $265.7 million in 2009. The Authority also issued $155 million in escrow bonds to participate in the NIBP initiated by the U.S. Treasury for housing finance agencies and for the purpose of preserving Cap as described above. Upon maturity of the FHLB short-term bond and related security, $36.4 million was refunded to issue new Single Family Program bonds. Additionally, the remaining $88.3 was refunded into the NIBP escrow bonds for future Single Family Program bonds.

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.

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 2010, the Authority's programs and investment returns continued to be adversely affected by recent illiquidity of credit markets, the housing crisis and the economic downturn in general. However, fees from administering the HERA and the ARRA programs are sustaining the operating revenue stream. However, these are short-term programs and related administrative fees will begin declining in fiscal year 2011-2012.

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 MBSs, 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 historically have relied 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 continues to have difficulty maintaining and securing GIC providers for the Single Family Programs as the market recovers and is utilizing AAA rated money market funds when necessary. Returns on GICs and money market funds 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. 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. Due to the lack of GIC providers and historical low reinvestment rates Standard and Poors, the Authority's primary rating agency, revised their stress test criteria related to housing bonds and now require that cash flows run assuming a zero percent reinvestment rate. At this time, all the Authority's single family bonds have met the required stress tests and have maintained their AAA ratings.

The Authority's investments outside of the Single Family Programs are conservative, and primarily include highly liquid and marketable 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. During this fiscal year, the investments in the State Investment Council Investment Funds Program experienced $1.9 million in fair market value gains as a result of some improvement in the market conditions over the last 12 months.

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.

(Continued)

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

Management's Discussion and Analysis

September 30, 2010 and 2009

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, 2010 and 2009

(In thousands)

Assets		**2010**	**2009**
Current assets:			
Cash and cash equivalents (note 2):			
Unrestricted	$	23,684	25,468
Restricted		20,576	19,516
Total cash and cash equivalents		44,260	44,984
Investments and reserve funds (note 2):			
Restricted investments and reserve funds, net cost		—	125,000
Unrestricted investments, net cost		7,005	—
Unrealized gain on restricted investments and reserve funds		20	156
Restricted investments and reserve funds, net		7,025	125,156
Accrued interest receivable		6,428	6,890
Other current assets		5,897	2,627
Total current assets		63,610	179,657
Noncurrent assets:			
Restricted cash and cash equivalents (note 2)		240,997	157,354
Investments and reserve funds (note 2):			
Restricted investments and reserve funds, net cost		8,731	9,384
Unrestricted investments, net cost		20,905	19,845
Unrealized loss on restricted and unrestricted investments and reserve funds		(50)	(244)
Total investments and reserve funds, net		29,586	28,985
Restricted note receivable		9,900	9,900
Restricted securitized mortgage loans, net (note 3):			
Securitized mortgage loans, net cost		1,048,785	1,085,590
Unrealized gain on securitized mortgage loans		67,818	43,150
Restricted securitized mortgage loans, net		1,116,603	1,128,740
Mortgage loans, net (note 3):			
Restricted mortgage loans, net		162,560	156,417
Restricted trust funds mortgage loans, net		9,583	9,685
Unrestricted mortgage loans, net		61,002	58,851
Total mortgage loans, net		233,145	224,953
Bond issuance costs, net		10,372	11,175
Capital assets (note 4)		1,494	1,651
Intangible assets		207	—
Other noncurrent assets		912	775
Total noncurrent assets		1,643,216	1,563,533
Total assets	$	1,706,826	1,743,190

(Continued)

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

Balance Sheets

September 30, 2010 and 2009

(In thousands)

Liabilities and Net Assets		**2010**	**2009**
Current liabilities:			
Accrued interest payable	$	12,841	15,638
Accounts payable and other accrued expenses (note 8)		12,101	5,558
Compensated absences (note 9)		222	219
Current portion of bonds payable (notes 5, 7, and 9)		19,087	142,116
Current portion of notes payable (notes 5, 7, and 9)		—	2,488
Total current liabilities		44,251	166,019
Noncurrent liabilities (note 9):			
Bonds payable, net (notes 5 and 7)		1,424,412	1,370,159
Notes payable (notes 6 and 7)		650	650
Accrued arbitrage rebate		970	975
Other noncurrent liabilities		217	214
Total noncurrent liabilities		1,426,249	1,371,998
Total liabilities		1,470,500	1,538,017
Net assets:			
Invested in capital assets, net of related debt		(726)	(661)
Restricted for debt service		101,044	79,995
Restricted for land title trust and housing trust		19,807	18,111
Unrestricted (note 12)		116,201	107,728
Total net assets		236,326	205,173
Commitments and contingencies (note 13)			
Total liabilities and net assets	$	1,706,826	1,743,190

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, 2010 and 2009

(In thousands)

		2010	**2009**
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	65,993	68,633
Interest on securities and investments		5,829	6,909
Net increase in fair value of investments		24,726	55,269
Housing program income		1,287	1,411
Program servicing fees		345	338
Loan and commitment fees		2,240	1,434
Administrative fees and other revenues		8,136	1,854
Total operating revenues		108,556	135,848
Operating expenses:			
Interest expense		66,607	68,769
Amortization of bond issuance costs		2,245	1,395
Provision for loan losses		573	919
Administrative and other expenses		8,649	8,162
Total operating expenses		78,074	79,245
Operating income		30,482	56,603
Nonoperating revenue (expense):			
Grant award income		89,368	42,781
Grant award expense		(89,368)	(42,781)
State appropriation		750	1,250
Land title trust contributions		11	25
Land title trust grant distributions		(90)	(155)
Total nonoperating revenues		671	1,120
Change in net assets		31,153	57,723
Total net assets, beginning of year		205,173	147,450
Total net assets, end of year	$	236,326	205,173

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, 2010 and 2009

(In thousands)

	2010	2009
Cash flows from operating activities:		
Purchase of loans	$ (14,936)	(21,611)
Receipts of loan repayments	10,891	9,340
Loan and commitment fees	1,959	1,553
Mortgage interest received	71,979	73,015
Purchase of securitized mortgage loans	(179,512)	(156,647)
Principal repayment of securitized mortgage loans	210,700	137,578
Receipts for services	3,752	2,013
Payments to employees for services	(5,354)	(5,030)
Payments to suppliers of goods or services	(3,437)	(2,515)
Other receipts	273	407
Net cash provided by operating activities	96,315	38,103
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds and notes payable	264,474	463,680
Repayment and refunding of bonds and notes payable	(330,472)	(389,664)
Loss on extinguishment of debt	(156)	—
Payment of interest on bonds and notes	(74,467)	(71,697)
Payment of arbitrage rebate, net	23	(30)
Payment for bond issuance costs	(1,440)	(1,869)
Receipt of grant award income	86,704	42,781
Payment of grant awards to subrecipients	(86,704)	(42,781)
State general fund appropriation	750	1,250
Contributions to land title trust	11	25
Land title trust grant distributions	(90)	(155)
Net cash provided by (used in) noncapital financing activities	(141,367)	1,540
Cash flows from capital financing activities:		
Purchases of capital assets	(46)	(52)
Proceeds from the sale of capital assets	15	—
Repayment of capital debt	(105)	(105)
Payment for interest on capital debt	(100)	(103)
Net cash used in capital financing activities	(236)	(260)
Cash flows from investing activities:		
Payments for operation and sale of foreclosed property	(327)	(609)
Purchase of investments	(17,133)	(255,206)
Proceeds from maturity and sale of investments	137,635	137,715
Gain – sale of securities	2,844	—
Investment interest income	5,188	6,102
Net cash provided by (used in) investing activities	128,207	(111,998)
Net increase (decrease) in cash and cash equivalents	82,919	(72,615)
Cash and cash equivalents, beginning of year	202,338	274,953
Cash and cash equivalents, end of year	$ 285,257	202,338
Current cash and cash equivalents	$ 44,260	44,984
Noncurrent cash and cash equivalents	240,997	157,354
Cash and cash equivalents, end of year	$ 285,257	202,338

(Continued)

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

Statements of Cash Flows

Years ended September 30, 2010 and 2009

(In thousands)

		2010	2009
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	30,482	56,603
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Net increase in the fair value of investments		(24,726)	(55,269)
Amortization of bond issuance costs		2,245	1,395
Amortization of deferred commitment fees		(2,240)	(1,434)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums		5,879	4,566
Gain on sale of assets		(5,581)	778
Depreciation and amortization expense		230	234
Provision of loan losses		573	919
Investment interest income		(5,829)	(6,909)
Interest on bonds and notes payable		66,607	68,769
Changes in assets and liabilities:			
Accrued interest receivable on securitized mortgage loans and mortgage loans		(107)	(185)
Other current assets		(3,270)	(1,253)
Other noncurrent assets		(137)	(597)
Accounts payable and other accrued expenses		6,543	(369)
Compensated absences		3	34
Other noncurrent liabilities		3	12
Securitized mortgage loans, net cost		33,716	(17,864)
Mortgage loans		(8,076)	(11,327)
Net cash provided by operating activities	$	96,315	38,103
Supplemental disclosure:			
Other real estate acquired through foreclosure	$	708	657

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. 14), 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 (LIHTC)* – The LIHTC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHTC 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 Program (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 Program (RHED)* – 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.
- *Homelessness Prevention and Rapid Re-Housing Program (HPRP)* – Objectives as authorized by the American Recovery and Reinvestment Act of 2009 (ARRA) are to provide homelessness prevention assistance to households who would otherwise become homeless – many due to the economic crisis – and to provide assistance to rapidly re-house persons who are homeless as defined by Section 103 of the McKinney-Vento Homeless Assistance Act.
- *Tax Credit Assistance Program (TCAP)* (Recovery Act Funded) – TCAP provides grant funds to State housing credit agencies for capital investments in rental projects that received or will receive an award of Low-Income Housing Tax Credits (LIHTC) during the period from October 1, 2006 to September 30, 2009, and require additional funding

(Continued)

to be completed and placed into service in accordance with the LIHTC requirements of Section 42 of the Internal Revenue Code (IRC).

– *Tax Credit Exchange Program (TCEP)* – TCEP is administered by the Treasury Department and is designed to help stalled LIHTC programs move forward. Under Section 1602 of the ARRA of 2009 (Section 1602), State housing credit agencies are eligible to receive Section 1602 Grants to States for Low-income Housing Projects in Lieu of Low-income Housing Credits under Section 42 of the Internal Revenue Code (the Code) for 2009. Section 1602 appropriates funds for grants to States to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits.

– *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 Land Title Trust Fund 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 statements 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 statements 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, 2010 and 2009 were $6.3 million and $6.6 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.

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 $76,000 and $63,000 as of September 30, 2010 and 2009, 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 method 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.

(Continued)

(p) Intangible Assets

Intangible assets represents 1) Purchasing servicing rights – the fees the Authority pays to acquire the servicing of loan portfolios. The purchasing servicing rights are capitalized and amortized on the effective-interest method over the estimated remaining life of the acquired portfolio. 2) Internally generated computer software and commercially available software modified using more than minimal incremental effort before being placed into service that would be capitalized if it meets the $5,000 capitalization threshold and has a useful life of more than one year. If not, related outlays are expensed. The assets are recorded at historical cost and amortized over its useful life once it has been placed in service (three years).

(q) Accrued Arbitrage Rebate

Earnings on certain investments are subject to the arbitrage rebate requirements of the Code. Accrued arbitrage rebate represents the estimated excess earnings on these investments that must be related 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.

(r) 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.

(s) 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.

(t) 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 for debt service 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.

Restricted for land title trust and housing trust represents those funds on which 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 the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act, the Low Income Housing Trust Act, and the Land Title Trust Fund Act.

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.

(u) 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.

(v) 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):

		2010	2009
Cash on deposit at financial institution	$	2,764	3,420
Cash on deposit at state treasurer		15,584	17,284
Cash equivalents not considered deposits:			
Money market accounts		14	12
Money market funds		196,252	30,067
Repurchase agreements		6,811	7,152
Guaranteed investment contracts		63,832	144,403
	$	285,257	202,338

(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 U.S. Securities and Exchange Commission (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(O) 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 the current credit risk rating and the 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, 2010 and 2009, the Authority’s bank balance was $2,783,000 and $3,752,000, respectively. Of this amount at September 30, 2010 and 2009, $264,000 and $3,661,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2010 and 2009 are $2,519,000 and $91,000, respectively, which consists of $2,519,000 and $0 in the form of collateral held by the bank but not in the Authority’s name, and $0 and $91,000 that was uninsured and uncollateralized.

All of the Authority’s investments are insured, registered, or 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, pledged collateral in an aggregate amount at least equal to 102% of the public money in each account. No security is required for the deposit of public money that is insured by the FDIC. As of September 30, 2010 and 2009, the Authority had $1,919,000 and $1,736,000, 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, 2010 and 2009 (in thousands):

	September 30, 2010					
		Investment maturities (in years)				
Investment type	**Fair value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**	**Not available**
Money market funds	$ 196,252	196,252	—	—	—	—
Money market account	14	14	—	—	—	—
Repurchase agreements	6,811	6,811	—	—	—	—
Guaranteed investment contracts	63,832	60,282	944	—	2,606	—
Internal state investment pools:						
State Treasurer	15,584	15,584	—	—	—	—
State Investment Council	25,499	—	—	—	—	25,499
U.S. agencies	8,025	2,008	6,017	—	—	—
Securitized mortgage loans	1,116,603	—	—	3,706	1,112,897	—
	$ 1,432,620	280,951	6,961	3,706	1,115,503	25,499

	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

The following table provides information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2010 and 2009 (in thousands):

	September 30, 2010							
Investment type	**Fair value**	**AAA**	**AA**	**A**	**BBB**	**U.S. government guaranteed**	**NR**	**Not available**
Money market funds	$ 196,252	196,252	—	—	—	—	—	—
Money market account	14	—	—	—	—	—	14	—
Repurchase agreements	6,811	—	—	—	—	—	6,811	—
Guaranteed investment contracts	63,832	492	59,278	3,107	—	—	955	—
Internal state investment pools:		—	—	—	—	—	—	—
State Treasurer	15,584	15,584	—	—	—	—	—	—
State Investment Council	25,499	—	—	—	—	—	—	25,499
U.S. agencies	8,025	8,025	—	—	—	—	—	—
Securitized mortgage loans	1,116,603	348,759	—	—	—	767,844	—	—
	$ 1,432,620	569,112	59,278	3,107	—	767,844	7,780	25,499

Investment type	Fair value	AAA	AA	A	BBB	U.S. government guaranteed	NR	Not available
	September 30, 2009							
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	576,739	126,116	15,318	—	731,772	7,999	20,974

(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, 2010 and 2009, respectively: GNMA 67% and 57%, FNMA 30% and 31%, and FHLB 1% and 10%.

(3) Mortgage Loans

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

	2010	2009
Total mortgage loan principal outstanding	$ 236,978	228,619
Less:		
Allowance for mortgage loan losses	(1,945)	(1,823)
Deferred origination and commitment fees	(1,888)	(1,843)
Mortgage loans, net	$ 233,145	224,953

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

		2010	**2009**
Beginning balance	$	1,823	918
Provision for loan losses		573	919
Loans written off net of recoveries		(451)	(14)
Ending balance	$	1,945	1,823

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	1.00% to 8.84%
Other mortgage loans	0.00% to 13.875%
Second mortgage DPA loans	0.00% to 7.50%

MBSs have stated interest rates ranging from 4.34% to 9.365%. At September 30, 2010 and 2009, deferred commitment fees of $9,440,000 and $9,766,000, respectively, have been netted with securitized mortgage loans, which are ultimately recorded at estimated fair value.

As of September 30, 2010 and 2009, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $56,000 and $44,000, respectively. As of September 30, 2010 and 2009, mortgage loans' total delinquent aggregate principal balances are approximately $5,449,000 and $4,802,000, respectively.

As of September 30, the Authority acts as servicer for loans owned by the following entities which are not recorded in the Authority's financials (in thousands):

		2010	**2009**
Neighborhood Housing Services of Albuquerque	$	745	947
State of New Mexico Severance Tax Permanent Fund		80	52
Isleta Pueblo		1,625	1,462
AFL-CIO		3,054	3,082
Federal National Mortgage Association (FNMA) Loans		18,667	18,814
Habitat for Humanity/Valencia County		44	79
Government National Mortgage Association (GNMA) Loans		1,593	1,832
Southwest Community Resources		32	33
	$	25,840	26,301

(4) Capital Assets

Changes in capital assets during 2010 and 2009 were as follows (in thousands):

	October 1, 2009	Additions	Dispositions	September 30, 2010
Land (nondepreciable)	$ 512	—	—	512
Building and improvements	3,041	—	—	3,041
Furniture and equipment	1,439	46	(2)	1,483
Total capital assets	4,992	46	(2)	5,036
Less accumulated depreciation:				
Building and improvements	(2,097)	(110)	—	(2,207)
Furniture and equipment	(1,244)	(93)	2	(1,335)
Total accumulated depreciation	(3,341)	(203)	2	(3,542)
Capital assets, net	$ 1,651	(157)	—	1,494

	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

(Continued)

(5) Bonds Payable

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

Single Family Mortgage Programs	2010	2009
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	$ 490	690
1994 Series B – 6.75% interest payable semiannually, principal due through 2025	445	570
1994 Series C – 6.50% interest payable semiannually, principal due through 2025	560	670
1994 Series D – 6.80% interest payable semiannually, principal due through 2026	630	725
1994 Series E – 6.95% interest payable semiannually, principal due through 2026	730	930
1998 Series A – 5.05% to 5.45% interest payable semiannually, principal due through 2029	—	5,115
1998 Series B – 5.15% to 6.10% interest payable semiannually, principal due through 2030	—	3,295
1998 Series C – 5.00% to 6.00% interest payable semiannually, principal due through 2029	—	4,435
1999 Series C – 5.13% interest payable semiannually, principal due through 2029	—	1,358
1999 Series E – 5.40% to 6.80% interest payable semiannually, principal due through 2031	—	5,660
1999 Series F – 5.40% to 6.80% interest payable semiannually, principal due through 2031	—	3,140
2000 Series A – 5.75% to 7.76% interest payable semiannually, principal due through 2031	—	2,675
2000 Series B – 5.80% to 7.00% interest payable semiannually, principal due through 2032	—	2,705
2000 Series C – 5.60% to 6.95% interest payable semiannually, principal due through 2032	—	2,320
2000 Series D – 5.10% to 8.34% interest payable semiannually, principal due through 2032	—	3,380
2000 Series E – 5.40% to 6.55% interest payable semiannually, principal due through 2032	4,055	4,740
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018	77	106
2001 Series A – 4.70% to 5.85% interest payable semiannually, principal due through 2032	4,775	6,040
2001 Series B – 5.00% to 6.20% interest payable		

Single Family Mortgage Programs		2010	2009
2001 Series B – 5.00% to 6.20% interest payable semiannually, principal due through 2033	$	4,725	6,005
2001 Series C – 4.85% to 6.25% interest payable semiannually, principal due through 2033		3,970	5,735
2001 Series D – 4.15% to 5.75% interest payable semiannually, principal due through 2033		5,260	6,410
2002 Series A – 4.65% to 6.45% interest payable semiannually, principal due through 2033		4,180	5,120
2002 Series B – 4.30% to 6.35% interest payable semiannually, principal due through 2033		5,225	6,910
2002 Series C – 4.60% to 5.82% interest payable semiannually, principal due through 2034		5,425	7,095
2002 Series D – 4.00% to 5.64% interest payable semiannually, principal due through 2034		6,115	7,045
2002 Series E – 3.75% to 5.43% interest payable semiannually, principal due through 2034		5,995	7,600
2002 Series F – 3.65% to 5.53% interest payable semiannually, principal due through 2034		6,465	7,540
2003 Series A – 3.80% to 5.25% interest payable semiannually, principal due through 2034		7,330	8,910
2003 Series B – 3.70% to 5.45% interest payable semiannually, principal due through 2034		7,815	9,405
2003 Series C – 3.05% to 4.70% interest payable semiannually, principal due through 2034		10,895	12,140
2003 Series D – 4.30% to 6.125% interest payable semiannually, principal due through 2034		7,930	9,645
2003 Series E – 3.85% to 5.89% interest payable semiannually, principal due through 2034		10,295	12,100
2004 Series A – 3.10% to 5.29% interest payable semiannually, principal due through 2034		10,545	12,265
2004 Series B – 3.30% to 4.75% interest payable semiannually, principal due through 2035		11,625	12,795
2004 Series C – 4.00% to 5.65% interest payable semiannually, principal due through 2035		11,990	14,100
2004 Series D – 4.30% to 6.15% interest payable semiannually, principal due through 2035		12,715	15,390
2004 Series E – 3.75% to 5.50% interest payable semiannually, principal due through 2035		13,445	15,995
2005 Series A – 3.50% to 5.50% interest payable semiannually, principal due through 2036		15,215	17,905

Single Family Mortgage Programs		2010	2009
2005 Series B – 4.05% to 6.10% interest payable semiannually, principal due through 2036	$	15,105	17,420
2005 Series C – 3.875% to 5.85% interest payable semiannually, principal due through 2037		14,040	16,110
2005 Series D – 4.00% to 5.85% interest payable semiannually, principal due through 2037		21,705	25,135
2006 Series A – 3.95% to 5.95% interest payable semiannually, principal due through 2037		31,395	35,060
2006 Series B – 3.85% to 5.90% interest payable semiannually, principal due through 2037		25,145	28,825
2006 Series C – 3.90% to 6.15% interest payable semiannually, principal due through 2037		34,890	41,720
2006 Series D – 4.10% to 6.00% interest payable semiannually, principal due through 2037		31,335	38,545
2006 Series E – 4.15% to 6.05% interest payable semiannually, principal due through 2038		31,575	36,600
2006 Series F – 4.00% to 6.15% interest payable semiannually, principal due through 2038		47,195	53,150
2007 Series A – 4.05% to 5.75% interest payable semiannually, principal due through 2038		38,680	45,435
2007 Series B – 3.65% to 6.00% interest payable semiannually, principal due through 2039		69,135	81,015
2007 Series C – 4.875% to 5.92% interest payable semiannually, principal due through 2039		43,055	56,155
2007 Series D – 5.00% to 6.27% interest payable semiannually, principal due through 2039		52,720	66,025
2007 Series E – 4.72% to 6.35% interest payable semiannually, principal due through 2039		49,025	57,430
2008 Series A – 3.75% to 5.60% interest payable semiannually, principal due through 2039		45,385	54,170
2008 Series B – 4.20% to 6.375% interest payable semiannually, principal due through 2039		29,095	33,230
2008 Series C – 4.15% to 6.95% interest payable semiannually, principal due through 2039		39,860	49,245
2008 Series D – 2.85% to 5.50% interest payable semiannually, principal due through 2039		56,075	63,670
2009 Series A – 2.25% to 6.00% interest payable semiannually, principal due through 2039		22,240	23,780
2009 Series B – 1.80% to 5.65% interest payable semiannually, principal due through 2039		48,155	51,120
2009 Series C – 1.70% to 5.70% interest payable semiannually, principal due through 2040		59,415	62,925

Single Family Mortgage Programs		**2010**	**2009**
2009 Series D – 1.2% to 5.35% interest payable semiannually, principal due through 2040	$	49,615	—
2009 Series E – 1.25% to 5.30% interest payable semiannually, principal due through 2040		49,840	—
2009 Short Term Issue 1 – 1.03% interest payable upon maturity, principal due 2010		—	124,691
2009 Series Bonds – variable interest rate, due upon maturity, principal due 2012		155,000	—
Subtotal		1,238,602	1,310,120
Unaccreted premium, net of underwriters' discount		21,738	24,887
Subtotal Single Family Mortgage Programs, net bonds payable	$	1,260,340	1,335,007

Rental Housing Mortgage Programs		**2010**	**2009**
1987 Series A&B – 7.25% interest payable semiannually, principal due 2011	$	9,900	9,900
1997 Multi Family Housing Revenue – Rio Volcan II – 5.25% to 5.65% interest payable monthly principal due through 2018		3,450	3,535
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		7,945	8,155
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		9,310	9,445
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038		9,370	9,495

(Continued)

Rental Housing Mortgage Programs	**2010**	**2009**
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038	$ 8,885	9,010
2004 Series A&B Multi Family Risk Sharing – NM5 – 4.625% to 5.20% interest payable semiannually, principal due through 2039	9,085	9,325
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039	11,970	12,120
2004 Series E Multi Family Housing Revenue – Lafayette – 6.50% interest payable monthly, principal due through 2037	7,237	7,314
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040	10,720	10,860
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 5.68% interest payable semiannually, principal due through 2040	11,475	11,620
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.70% interest payable semiannually, principal due through 2040	4,000	4,060
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040	12,660	12,825
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	5,810	5,870
2007 C & D Multi-Family Risk Sharing – NM Rainbow – 5.85% to 10.00% interest payable semiannually, principal due through 2043	13,867	13,980
2008 A & B Multi-Family Risk Sharing – Villas de San Ignacio variable interest rate * 0.26% to 1.80% at September 30, 2010 payable monthly, principal due through 2043	8,900	8,900

Rental Housing Mortgage Programs		**2010**	**2009**
2009 A Multi-Family – RD-5 Apartments – 8% interest payable semiannually, principal due through 2012	$	2,738	—
2010 A & B Multi-Family – Villa Alegre Senior Housing - 1.75% to 5% interest payable semiannually, principal due through 2047		5,100	—
Subtotal		180,667	174,659
Unaccreted premium		272	298
Subtotal Rental Housing Mortgage Programs, net bonds payable	$	180,939	174,957

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

Capital debt		**2010**	**2009**
2005 General Revenue Office Building Refunding Bonds – 3.75% to 4.375% interest payable semiannually, principal due through 2026	$	2,335	2,440
Unamortized discount		(115)	(129)
Subtotal net capital bonds payable	$	2,220	2,311
Total bonds payable	$	1,421,604	1,487,219
Total unaccreted premium, net of unamortized discount		21,895	25,056
Total bonds payable, net	$	1,443,499	1,512,275

In November 2005, the Authority began issuing single family mortgage program bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bond issues under this indenture are 2005D through 2009E. 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.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2010 and 2009 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In December 2009, the Authority entered into a General Indenture of Trust dated December 1, 2009 to accommodate those bonds issued under the New Issue Bond Program which was developed by the U.S. Treasury in conjunction with Fannie Mae and Freddie Mac. On December 23, 2009, the Authority issued 2009 Series Bonds (GSE Escrow Bond Purchase Program) in the amount of $155 million. The interest on the GSE Escrow Bond Purchase Program is a variable rate that produces an interest payment equal to investment earnings. The bonds were placed with Fannie Mae and Freddie Mac with bond proceeds being held in an escrow at US Bank National Association. The purpose of the escrow issue was to store private activity bond volume cap. The escrow bonds could then be rolled out into a maximum of six bond issues to provide funds to originate mortgage loans with all rollouts being initiated by December 31, 2011.

Under the New Issue Bond Program (the NIBP), 60% of the principal amount is rolled out from the GSE Escrow Bond Purchase Program and purchased by Fannie Mae and Freddie Mac. The other 40% of the principal amount is sold in the primary bond market. The NIBP allows for relocking the interest rate on the NIBP portion of each rollout up to eight days prior to the bond closing.

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 $18,560,000 at September 30, 2010 and $35,785,000 at September 30, 2009, 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, 2010 and 2009 consist of the following (in thousands):

		2010	2009
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
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
	$	650	3,138

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.

(Continued)

(7) Debt Service Requirements

A summary of bond and note debt service requirements as of September 30, 2010 follows (in thousands):

	Bonds payable		Notes payable	
	Interest	Principal	Interest	Principal
Year ending September 30:				
2011	$ 66,701	19,087	13	—
2012	66,649	122,724	13	—
2013	65,243	22,652	13	—
2014	64,227	23,659	13	—
2015	63,133	24,756	13	—
2016 – 2020	295,865	145,967	14	650
2021 – 2025	254,171	202,143	—	—
2026 – 2030	188,360	297,335	—	—
2031 – 2035	106,555	323,411	—	—
2036 – 2040	28,414	224,126	—	—
2041 – 2045	951	15,654	—	—
2046 – 2047	5	90	—	—
	1,200,274	1,421,604	79	650
Net unaccreted premium	—	21,895	—	—
	$ 1,200,274	1,443,499	79	650

(8) Accounts Payable and Accrued Expenses

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

	2010	2009
Vendor	$ 10,216	3,283
Employee benefits	329	214
Deferred revenue	1,556	2,061
	$ 12,101	5,558

(9) Noncurrent Liabilities and Compensated Absences

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2010 and 2009 follows (in thousands):

	October 1, 2009	Increases	Decreases	September 30, 2010	Current portion
Bonds payable, net	$ 1,512,275	264,474	(333,250)	1,443,499	19,087
Note payable	3,138	—	(2,488)	650	—
Accrued arbitrage rebate	975	40	(45)	970	—
Other noncurrent liabilities	214	3	—	217	—
Compensated absences	219	213	(210)	222	222
	$ 1,516,821	264,730	(335,993)	1,445,558	19,309

	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

(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 $605,000 and $201,000, respectively, for the year ended September 30, 2010. 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 Executive Director, Director of Human Resources, and Deputy Director of Finance and Administration 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, 2010 and 2009 (in thousands):

		2010	2009
Single Family and Multi-Family Programs as designated by the board	$	8,528	12,315
Future general operating budget, year-end September 30, 2011		12,652	8,755
Housing Opportunity Fund		77,030	70,066
Risk-sharing loss exposure		12,606	12,212
Federal and state housing programs administered by the Authority		5,385	4,380
Total board designated net assets	$	116,201	107,728

(13) Commitments and Contingencies

The Authority entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) 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, 2010 and 2009, the Authority is committed to assume a risk of approximately $12,610,000 and $12,210,000 for 42 and 40 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, 2010. As of September 30, 2010 and 2009, the Authority is committed to assume a risk of approximately $124,000 and $126,000 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, 2010, management has determined that it is probable that MFA has incurred a contingent liability for the balance of the loans $438,000, which may be payable to HUD for noncompliance with the affordability requirement. The reserve for contingent liability is included in net assets as of September 30, 2010.

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, 2010 and 2009, 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 21 joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2010, these JPAs and MOUs were as follows:

(a) The Authority entered into a JPA with Department of Finance and Administration (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 was 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. The amount of $70,667 was reverted back to the DFA by the Authority.

(b) The Authority entered into a MOU with DFA in December 2007, which was amended in January 2010 and July 2010. 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 terminates on December 31, 2010. 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 MOU.

(c) 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.

(d) 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, which will terminate October 31, 2011, and February 18, 2009, which was terminated October 30, 2009. 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.

(e) 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 State Investment Council (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.

(f) 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 was terminated effective October 30, 2009. 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.

(g) 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 was terminated effective October 30, 2009. The maximum amount to be reimbursed under the JPA is $374,220, 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.

(h) 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.

(i) 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 was terminated effective October 30, 2009. The maximum amount to be reimbursed under the JPA is $232,650, 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 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 was terminated October 30, 2009. The maximum amount to be reimbursed under the JPA is $445,500, 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.

(k) 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 was terminated effective October 30, 2009. The maximum amount to be reimbursed under the JPA is $138,600, 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 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 was terminated effective August 26, 2010. The maximum amount to be reimbursed under the JPA is $1,200,000, $253,000 of which is applicable to the Authority. No responsibility for the audit of the funds is specified under this JPA.

(m) The Authority entered into a JPA with DFA in January 2010. 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 January 6, 2010 and will terminate June 30, 2012. The maximum amount to be reimbursed under the JPA is $200,000, 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 February 2010. 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 February 12, 2010 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $136,316, 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.

(o) The Authority entered into a JPA with DFA in February 2010. 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 12, 2010 and will terminate June 30, 2012. The maximum amount to be reimbursed under the JPA is $329, 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 Bond Fund.

(p) The Authority entered into a JPA with DFA in February 2010. 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 February 24, 2010 and will terminate June 30, 2013. The maximum amount to be reimbursed under the JPA is $97,119, 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.

(q) The Authority entered into a JPA with DFA in February 2010. The purpose of the agreement is to transfer appropriations concerning transitional living facility and offices for homeless teens. The Authority has the responsibility for program operations. The JPA was effective February 24, 2010 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $200,000, 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 Severance Tax Bond Fund.

(r) The Authority entered into a JPA with DFA in February 2010. 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 February 12, 2010 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $9,791, 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.

(s) The Authority entered into a JPA with DFA in February 2010. The purpose of this agreement 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 JPA was effective February 12, 2010 and will terminate June 30, 2012. The estimated amount of the project is $750,000, 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.

(t) The Authority entered into a JPA with DFA in August 2010. 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 26, 2010 and will terminate June 30, 2011. The maximum amount to be reimbursed under the JPA is $29,800, all of which is applicable to the Authority. No responsibility for the audit of the funds is specified under this JPA.

(u) The Authority entered into an MOU with DFA in September 2010. The purpose of the agreement is to prepare the 2011 Annual Action Plan for the 2011-2015 Five-Year Consolidated Plan. The Authority has the responsibility for the program oversight. The JPA was effective September 21, 2010 and will terminate January 15, 2011. The maximum amount to be reimbursed under the JPA is $20,498, all of which is applicable to the Authority. No responsibility for the audit of the funds is specified 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	$ 1,250	02/18/09–10/30/09	$ 1,250	—	—
Silver Gardens & Workforce Housing	374	02/18/09–10/30/09	374	—	—
Youth Shelters and Family Services	97	02/24/10–6/30/13	97	—	—
Youth Shelters and Family Services	200	02/24/10–6/30/11	87	113	—
Silver Gardens & Workforce Housing *	—	02/12/10–6/30/12	—	—	—
Affordable Housing Act	750	02/12/10–6/30/12	750	—	—
Low Income Rental Housing Infrastructure	21	5/10/10–6/30/10	—	—	21
	$ 2,692		$ 2,558	113	21

* The total appropriation received and expensed was $329 dollars

The Authority has recognized state appropriation nonoperating revenue for the $750,000. This amount has been expended as of September 30, 2010.

The Authority has not recognized revenue or expense for the $113,000 shown in the "Outstanding encumbrances" column. As a result, these amounts have not been reflected in the financial statements.

(17) Related-Party Transactions

In February 2010, the Governor of New Mexico appointed the Executive Director of Santa Fe Community Housing Trust to the Authority's board of directors. Santa Fe Community Housing Trust also owns The Village Sage, LLC. Subsequent to her appointment, the Authority awarded federal grants of $75,000 in grants to Santa Fe Community Housing Trust. The Authority also disbursed $2,017,000 in grants to Santa Fe Community Housing Trust and The Village Sage, LLC, which had been awarded prior to the appointment.

(18) Subsequent Events

On October 20, 2010, the Authority issued $71,668,000 of Single Family Mortgage Program 2009 GSE Series A and 2010 Series A Bonds. This bond issue is the first rollout of the 2009 Series Bonds issued under the GSE Escrow Bond Purchase Program. The bond issue includes $42 million of New Issue Bond Program bonds and $28 million of market 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 $1,668,000 to fund assistance to borrowers in this bond issue.

Subsequent events were evaluated through the date the financial statements were available to be issued which was January 7, 2011.

(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.

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets		Single Family Mortgage Programs							
Assets		**1994 Series A**	**1994 Series B**	**1994 Series C**	**1994 Series D**	**1994 Series E**	**1998 Series A**	**1998 Series B**	**1998 Series C**
Current assets:									
Restricted cash and cash equivalents	$	—	—	—	—	—	—	—	—
Restricted investments, net		—	—	—	—	—	—	—	—
Accrued interest receivable		4	2	3	4	5	—	—	—
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—	—	—
Total current assets		4	2	3	4	5	—	—	—
Noncurrent assets:									
Restricted cash and cash equivalents		81	195	207	20	93	10	18	—
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		679	402	528	624	828	—	—	—
Unrealized gain (loss) on securitized mortgage loans		88	52	67	80	106	—	—	—
Total restricted securitized mortgage loans, net		767	454	595	704	934	—	—	—
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		5	5	5	6	7	—	—	—
Total noncurrent assets		853	654	807	730	1,034	10	18	—
Total assets	$	857	656	810	734	1,039	10	18	—
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	8	8	9	11	13	—	—	—
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—	—	—
Total current liabilities		8	8	9	11	13	—	—	—
Noncurrent liabilities:									
Bonds payable, net		490	446	561	630	730	—	—	—
Accrued arbitrage rebate		—	—	—	—	—	1	5	—
Total noncurrent liabilities		490	446	561	630	730	1	5	—
Total liabilities		498	454	570	641	743	1	5	—
Net assets restricted for debt service		359	202	240	93	296	9	13	—
Total liabilities and net assets	$	857	656	810	734	1,039	10	18	—

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets

Assets		1999 Series A	1999 Series B	1999 Series C	1999 Series E	1999 Series F
Current assets:						
Restricted cash and cash equivalents	$	—	—	—	—	—
Restricted investments, net		—	—	—	—	—
Accrued interest receivable		—	—	—	—	—
Other current assets		—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—
Total current assets		—	—	—	—	—
Noncurrent assets:						
Restricted cash and cash equivalents		—	—	—	—	—
Restricted investments and reserve funds, net		—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost		—	—	—	—	—
Unrealized gain (loss) on securitized mortgage loans		—	—	—	—	—
Total restricted securitized mortgage loans, net		—	—	—	—	—
Restricted mortgage loans, net		—	—	—	—	—
Bond issuance costs, net		—	—	—	—	—
Total noncurrent assets		—	—	—	—	—
Total assets	$	—	—	—	—	—
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$	—	—	—	—	—
Accounts payable and other accrued expenses		—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—
Total current liabilities		—	—	—	—	—
Noncurrent liabilities:						
Bonds payable, net		—	—	—	—	—
Accrued arbitrage rebate		—	—	—	—	—
Total noncurrent liabilities		—	—	—	—	—
Total liabilities		—	—	—	—	—
Net assets restricted for debt service		—	—	—	—	—
Total liabilities and net assets	$	—	—	—	—	—

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets		Single Family Mortgage Programs							
Assets		**2000 Series A**	**2000 Series B**	**2000 Series C**	**2000 Series D**	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A**	**2001 Series B**
Current assets:									
Restricted cash and cash equivalents	$	—	—	—	—	80	—	120	110
Restricted investments, net		—	—	—	—	—	—	—	—
Accrued interest receivable		—	—	—	—	25	1	25	25
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	(1)	—	(1)	(1)
Total current assets		—	—	—	—	104	1	144	134
Noncurrent assets:									
Restricted cash and cash equivalents		—	—	—	—	190	198	198	82
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		—	—	—	—	4,284	—	5,184	4,955
Unrealized gain (loss) on securitized mortgage loans		—	—	—	—	483	—	412	439
Total restricted securitized mortgage loans, net		—	—	—	—	4,767	—	5,596	5,394
Restricted mortgage loans, net		—	—	—	—	—	94	—	—
Bond issuance costs, net		—	—	—	—	29	2	37	38
Total noncurrent assets		—	—	—	—	4,986	294	5,831	5,514
Total assets	$	—	—	—	—	5,090	295	5,975	5,648
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	—	—	—	—	21	—	22	23
Accounts payable and other accrued expenses		—	—	—	—	—	1	—	—
Current portion of bonds payable		—	—	—	—	80	—	120	110
Total current liabilities		—	—	—	—	101	1	142	133
Noncurrent liabilities:									
Bonds payable, net		—	—	—	—	4,044	77	4,759	4,720
Accrued arbitrage rebate		—	—	—	—	14	—	—	—
Total noncurrent liabilities		—	—	—	—	4,058	77	4,759	4,720
Total liabilities		—	—	—	—	4,159	78	4,901	4,853
Net assets restricted for debt service		—	—	—	—	931	217	1,074	795
Total liabilities and net assets	$	—	—	—	—	5,090	295	5,975	5,648

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets		Single Family Mortgage Programs							
Assets		**2001 Series C**	**2001 Series D**	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**	**2002 Series E**	**2002 Series F**
Current assets:									
Restricted cash and cash equivalents	$	90	105	70	70	110	140	115	150
Restricted investments, net		—	—	—	—	—	—	—	—
Accrued interest receivable		21	26	23	26	26	28	27	31
Other current assets		—	—	—	—	—	—	—	—
Intra-entity receivable (payable)		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total current assets		110	130	92	95	135	167	141	180
Noncurrent assets:									
Restricted cash and cash equivalents		109	189	10	128	351	129	561	311
Restricted investments and reserve funds, net		—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:									
Securitized mortgage loans, net cost		4,183	5,452	4,613	5,374	5,194	6,085	5,688	6,474
Unrealized gain (loss) on securitized mortgage loans		395	409	412	452	450	460	417	459
Total restricted securitized mortgage loans, net		4,578	5,861	5,025	5,826	5,644	6,545	6,105	6,933
Restricted mortgage loans, net		—	—	—	—	—	—	—	—
Bond issuance costs, net		33	45	36	45	47	53	53	58
Total noncurrent assets		4,720	6,095	5,071	5,999	6,042	6,727	6,719	7,302
Total assets	$	4,830	6,225	5,163	6,094	6,177	6,894	6,860	7,482
Liabilities and Net Assets									
Current liabilities:									
Accrued interest payable	$	19	24	21	25	25	27	26	29
Accounts payable and other accrued expenses		—	—	—	—	—	—	—	—
Current portion of bonds payable		90	105	70	70	110	140	115	150
Total current liabilities		109	129	91	95	135	167	141	179
Noncurrent liabilities:									
Bonds payable, net		3,949	5,251	4,185	5,250	5,400	6,067	5,974	6,462
Accrued arbitrage rebate		—	—	—	—	—	—	—	—
Total noncurrent liabilities		3,949	5,251	4,185	5,250	5,400	6,067	5,974	6,462
Total liabilities		4,058	5,380	4,276	5,345	5,535	6,234	6,115	6,641
Net assets restricted for debt service		772	845	887	749	642	660	745	841
Total liabilities and net assets	$	4,830	6,225	5,163	6,094	6,177	6,894	6,860	7,482

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets	Single Family Mortgage Programs							
Assets	**2003 Series A**	**2003 Series B**	**2003 Series C**	**2003 Series D**	**2003 Series E**	**2004 Series A**	**2004 Series B**	**2004 Series C**
Current assets:								
Restricted cash and cash equivalents	$ 150	170	230	160	210	240	260	225
Restricted investments, net	—	—	—	—	—	—	—	—
Accrued interest receivable	32	33	42	35	45	48	52	58
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(2)	(1)	(2)	(1)	(1)	(7)	(7)	(8)
Total current assets	180	202	270	194	254	281	305	275
Noncurrent assets:								
Restricted cash and cash equivalents	403	464	413	793	410	506	775	479
Restricted investments and reserve funds, net	—	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	7,230	7,656	10,727	7,301	10,208	10,459	11,311	11,931
Unrealized gain (loss) on securitized mortgage loans	435	450	546	522	610	579	576	778
Total restricted securitized mortgage loans, net	7,665	8,106	11,273	7,823	10,818	11,038	11,887	12,709
Restricted mortgage loans, net	—	—	—	—	—	—	—	—
Bond issuance costs, net	67	72	100	69	89	94	87	91
Total noncurrent assets	8,135	8,642	11,786	8,685	11,317	11,638	12,749	13,279
Total assets	$ 8,315	8,844	12,056	8,879	11,571	11,919	13,054	13,554
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 31	33	41	37	45	130	134	161
Accounts payable and other accrued expenses	—	—	—	—	—	—	1	1
Current portion of bonds payable	150	170	230	160	210	240	260	225
Total current liabilities	181	203	271	197	255	370	395	387
Noncurrent liabilities:								
Bonds payable, net	7,346	7,836	10,926	7,954	10,337	10,586	11,640	12,068
Accrued arbitrage rebate	—	—	—	—	—	—	—	—
Total noncurrent liabilities	7,346	7,836	10,926	7,954	10,337	10,586	11,640	12,068
Total liabilities	7,527	8,039	11,197	8,151	10,592	10,956	12,035	12,455
Net assets restricted for debt service	788	805	859	728	979	963	1,019	1,099
Total liabilities and net assets	$ 8,315	8,844	12,056	8,879	11,571	11,919	13,054	13,554

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets

	Single Family Mortgage Programs					
Assets	**2004 Series D**	**2004 Series E**	**2005 Series A**	**2005 Series B**	**2005 Series C**	**2005 General Indenture**
Current assets:						
Restricted cash and cash equivalents	$ 225	265	270	260	250	12,380
Restricted investments, net	—	—	—	—	—	—
Accrued interest receivable	65	58	66	72	68	4,232
Other current assets	—	—	—	—	—	—
Intra-entity receivable (payable)	(7)	(10)	(9)	—	(9)	(358)
Total current assets	283	313	327	332	309	16,254
Noncurrent assets:						
Restricted cash and cash equivalents	1,151	754	676	556	1,096	67,116
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost	11,982	13,020	14,977	15,088	13,589	835,366
Unrealized gain (loss) on securitized mortgage loans	809	786	816	902	641	53,707
Total restricted securitized mortgage loans, net	12,791	13,806	15,793	15,990	14,230	889,073
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	96	105	121	119	117	7,514
Total noncurrent assets	14,038	14,665	16,590	16,665	15,443	963,703
Total assets	$ 14,321	14,978	16,917	16,997	15,752	979,957
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 176	171	193	203	183	9,479
Accounts payable and other accrued expenses	—	—	—	—	—	18
Current portion of bonds payable	225	265	270	260	250	12,380
Total current liabilities	401	436	463	463	433	21,877
Noncurrent liabilities:						
Bonds payable, net	12,784	13,523	15,343	15,211	14,291	880,045
Accrued arbitrage rebate	—	—	—	—	—	924
Total noncurrent liabilities	12,784	13,523	15,343	15,211	14,291	880,969
Total liabilities	13,185	13,959	15,806	15,674	14,724	902,846
Net assets restricted for debt service	1,136	1,019	1,111	1,323	1,028	77,111
Total liabilities and net assets	$ 14,321	14,978	16,917	16,997	15,752	979,957

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets

Assets		Single Family Mortgage Programs		
		2009 Short Term	**2009 GSE Bonds**	**Total Single Family Mortgage Programs**
Current assets:				
Restricted cash and cash equivalents	$	—	495	16,950
Restricted investments, net		—	—	—
Accrued interest receivable		—	—	5,208
Other current assets		—	—	—
Intra-entity receivable (payable)		—	—	(433)
Total current assets		—	495	21,725
Noncurrent assets:				
Restricted cash and cash equivalents		—	154,669	233,341
Restricted investments and reserve funds, net		—	—	—
Restricted securitized mortgage loans, net:				
Securitized mortgage loans, net cost		—	—	1,041,392
Unrealized gain (loss) on securitized mortgage loans		—	—	67,338
Securitized mortgage loans, net		—	—	1,108,730
Restricted mortgage loans, net		—	—	94
Bond issuance costs, net		—	265	9,510
Total noncurrent assets		—	154,934	1,351,675
Total assets	$	—	155,429	1,373,400
Liabilities and Net Assets				
Current liabilities:				
Accrued interest payable	$	—	164	11,492
Accounts payable and other accrued expenses		—	10	31
Current portion of bonds payable		—	495	16,950
Total current liabilities		—	669	28,473
Noncurrent liabilities:				
Bonds payable, net		—	154,505	1,243,390
Accrued arbitrage rebate		—	—	944
Total noncurrent liabilities		—	154,505	1,244,334
Total liabilities		—	155,174	1,272,807
Net assets restricted for debt service		—	255	100,593
Total liabilities and net assets	$	—	155,429	1,373,400

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

	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**	**1998 Series A**	**1998 Series B**	**1998 Series C**
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$ 52	39	46	43	65	270	187	67
Interest on securities and temporary investments	—	—	—	2	—	19	16	124
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—	424	306	316
Net increase (decrease) in fair value of investments	12	(7)	(9)	20	2	(384)	(284)	(327)
Loan and commitment fees	—	—	—	—	—	31	25	25
Administrative fees and other	(1)	(1)	(1)	(1)	(2)	(16)	(11)	(4)
Total operating revenues	63	31	36	64	65	344	239	201
Operating expenses:								
Interest	39	33	41	45	57	236	157	133
Amortization of bond issuance costs	2	2	2	1	3	37	24	33
Administrative fees and other	—	3	—	—	1	25	25	22
Total operating expenses	41	38	43	46	61	298	206	188
Operating income (loss)	22	(7)	(7)	18	4	46	33	13
Other financing sources (uses) – operating transfers	—	—	—	—	—	(1,365)	(1,102)	(1,039)
Change in net assets	22	(7)	(7)	18	4	(1,319)	(1,069)	(1,026)
Total net assets – beginning	337	209	247	75	292	1,328	1,082	1,026
Total net assets – ending	$ 359	202	240	93	296	9	13	—
Net cash provided by (used in):								
Operating activities	$ 180	252	337	72	232	4,253	2,857	3,915
Noncapital financing activities	(242)	(160)	(153)	(142)	(261)	(5,419)	(3,498)	(4,674)
Investing activities	—	—	—	2	—	450	325	440
Net increase (decrease)	(62)	92	184	(68)	(29)	(716)	(316)	(319)
Cash and cash equivalents, beginning of year	143	103	23	88	122	726	334	319
Cash and cash equivalents, end of year	$ 81	195	207	20	93	10	18	—

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		**1999 Series A**	**1999 Series B**	**1999 Series C**	**1999 Series E**	**1999 Series F**
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	$	—	—	24	13	15
Interest on securities and temporary investments		—	—	7	3	23
Gain (loss) asset sale/debt extinguishment		—	—	69	374	231
Net increase (decrease) in fair value of investments		—	—	(92)	(391)	(236)
Loan and commitment fees		—	—	8	39	21
Administrative fees and other		—	—	(1)	(8)	(4)
Total operating revenues		—	—	15	30	50
Operating expenses:						
Interest		—	—	29	13	29
Amortization of bond issuance costs		—	—	16	44	27
Administrative fees and other		—	—	21	23	22
Total operating expenses		—	—	66	80	78
Operating income (loss)		—	—	(51)	(50)	(28)
Other financing sources (uses) – operating transfers		(18)	(17)	(138)	(815)	(391)
Change in net assets		(18)	(17)	(189)	(865)	(419)
Total net assets – beginning		18	17	189	865	419
Total net assets – ending	$	—	—	—	—	—
Net cash provided by (used in):						
Operating activities	$	(18)	(16)	1,248	5,063	2,824
Noncapital financing activities		—	—	(1,399)	(5,886)	(3,255)
Investing activities		—	—	82	423	268
Net increase (decrease)		(18)	(16)	(69)	(400)	(163)
Cash and cash equivalents, beginning of year		18	16	69	400	163
Cash and cash equivalents, end of year	$	—	—	—	—	—

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		**Single Family Mortgage Programs**							
		2000 Series A	**2000 Series B**	**2000 Series C**	**2000 Series D**	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**
Operating revenues:									
Interest on mortgage loans and securitized mortgage loans	$	28	15	9	(5)	285	6	292	285
Interest on securities and temporary investments		31	21	17	33	22	—	34	35
Gain (loss) asset sale/debt extinguishment		251	234	209	274	—	(4)	—	—
Net increase (decrease) in fair value of investments		(265)	(253)	(226)	(270)	103	—	95	96
Loan and commitment fees		17	21	18	30	8	—	13	14
Administrative fees and other		(3)	(3)	(3)	(4)	(16)	—	(20)	(19)
Total operating revenues		59	35	24	58	402	2	414	411
Operating expenses:									
Interest		28	21	17	15	259	6	283	290
Amortization of bond issuance costs		21	23	18	29	8	1	12	13
Administrative fees and other		22	22	21	22	2	2	1	1
Total operating expenses		71	66	56	66	269	9	296	304
Operating income (loss)		(12)	(31)	(32)	(8)	133	(7)	118	107
Other financing sources (uses) – operating transfers		(659)	(624)	(390)	(405)	—	—	—	—
Change in net assets		(671)	(655)	(422)	(413)	133	(7)	118	107
Total net assets – beginning		671	655	422	413	798	224	956	688
Total net assets – ending	$	—	—	—	—	931	217	1,074	795
Net cash provided by (used in):									
Operating activities	$	2,292	2,410	2,138	2,833	946	36	1,514	1,433
Noncapital financing activities		(2,784)	(2,810)	(2,417)	(3,525)	(966)	(36)	(1,590)	(1,609)
Investing activities		292	269	245	330	22	(4)	34	36
Net increase (decrease)		(200)	(131)	(34)	(362)	2	(4)	(42)	(140)
Cash and cash equivalents, beginning of year		200	131	34	362	268	202	360	332
Cash and cash equivalents, end of year	$	—	—	—	—	270	198	318	192

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		**Single Family Mortgage Programs**							
		2001 Series C	**2001 Series D**	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**	**2002 Series E**	**2002 Series F**
Operating revenues:									
Interest on mortgage loans and securitized mortgage loans	$	259	300	265	305	315	339	321	354
Interest on securities and temporary investments		54	27	23	43	35	—	30	24
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		36	105	120	91	62	112	86	126
Loan and commitment fees		17	14	11	17	18	10	17	14
Administrative fees and other		(16)	(8)	(11)	(16)	(16)	(14)	(13)	(14)
Total operating revenues		350	438	408	440	414	447	441	504
Operating expenses:									
Interest		277	299	257	328	334	343	331	351
Amortization of bond issuance costs		17	13	11	18	17	11	18	13
Administrative fees and other		1	1	1	1	1	3	1	1
Total operating expenses		295	313	269	347	352	357	350	365
Operating income (loss)		55	125	139	93	62	90	91	139
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—	—
Change in net assets		55	125	139	93	62	90	91	139
Total net assets – beginning		717	720	748	656	580	570	654	702
Total net assets – ending	$	772	845	887	749	642	660	745	841
Net cash provided by (used in):									
Operating activities	$	1,903	1,135	794	1,706	2,055	1,201	1,839	1,541
Noncapital financing activities		(2,081)	(1,481)	(1,225)	(2,058)	(2,042)	(1,297)	(1,975)	(1,463)
Investing activities		55	28	25	44	35	—	31	24
Net increase (decrease)		(123)	(318)	(406)	(308)	48	(96)	(105)	102
Cash and cash equivalents, beginning of year		322	612	486	506	413	365	781	359
Cash and cash equivalents, end of year	$	199	294	80	198	461	269	676	461

(Continued)

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs 2003 Series A	2003 Series B	2003 Series C	2003 Series D	2003 Series E	2004 Series A	2004 Series B	2004 Series C
Operating revenues:									
Interest on mortgage loans and securitized mortgage loans	$	367	368	468	409	525	511	582	643
Interest on securities and temporary investments		31	—	—	—	—	28	26	40
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		134	157	388	123	195	243	248	276
Loan and commitment fees		19	21	19	20	24	21	13	22
Administrative fees and other		(23)	(13)	(32)	(14)	(14)	(29)	(30)	(33)
Total operating revenues		528	533	843	538	730	774	839	948
Operating expenses:									
Interest		375	394	461	442	540	491	546	642
Amortization of bond issuance costs		18	19	17	18	21	20	13	21
Administrative fees and other		1	2	2	3	3	1	—	1
Total operating expenses		394	415	480	463	564	512	559	664
Operating income (loss)		134	118	363	75	166	262	280	284
Other financing sources (uses) – operating transfers		—	257	244	—	—	—	—	—
Change in net assets		134	375	607	75	166	262	280	284
Total net assets – beginning		654	430	252	653	813	701	739	815
Total net assets – ending	$	788	805	859	728	979	963	1,019	1,099
Net cash provided by (used in):									
Operating activities	$	2,004	2,065	2,132	2,131	2,039	1,874	2,205	1,951
Noncapital financing activities		(2,005)	(2,040)	(1,775)	(2,218)	(2,410)	(2,297)	(1,747)	(2,826)
Investing activities		31	1				32	23	48
Net increase (decrease)		30	26	357	(87)	(371)	(391)	481	(827)
Cash and cash equivalents, beginning of year		523	608	286	1,040	991	1,137	554	1,531
Cash and cash equivalents, end of year	$	553	634	643	953	620	746	1,035	704

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs: 2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C	2005 General Indenture	2009 Short Term
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 663	686	762	724	680	41,321	—
Interest on securities and temporary investments	59	—	—	46	40	3,156	274
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—		—
Net increase (decrease) in fair value of investments	241	305	308	426	343	22,852	(156)
Loan and commitment fees	22	24	24	22	20	1,458	—
Administrative fees and other	(30)	(44)	(39)	—	(33)	(1,667)	—
Total operating revenues	955	971	1,055	1,218	1,050	67,120	118
Operating expenses:							
Interest	696	688	757	763	661	44,954	362
Amortization of bond issuance costs	25	25	27	27	24	1,315	9
Administrative fees and other	1	5	5	2	1	108	2
Total operating expenses	722	718	789	792	686	46,377	373
Operating income (loss)	233	253	266	426	364	20,743	(255)
Other financing sources (uses) – operating transfers	—	—	—	—	—	2,495	—
Change in net assets	233	253	266	426	364	23,238	(255)
Total net assets – beginning	903	766	845	897	664	53,873	255
Total net assets – ending	$ 1,136	1,019	1,111	1,323	1,028	77,111	—
Net cash provided by (used in):							
Operating activities	$ 3,191	2,844	2,533	2,331	3,141	7,074	—
Noncapital financing activities	(3,485)	(3,326)	(3,548)	(3,223)	(2,890)	(76,590)	(975)
Investing activities	62	—	—	48	38	3,252	487
Net increase (decrease)	(232)	(482)	(1,015)	(844)	289	(66,264)	(488)
Cash and cash equivalents, beginning of year	1,608	1,501	1,961	1,660	1,057	145,760	488
Cash and cash equivalents, end of year	$ 1,376	1,019	946	816	1,346	79,496	—

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		**Single Family Mortgage Programs** 2009 GSE Bonds	**Single Family Mortgage Programs** Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	—	52,903
Interest on securities and temporary investments		164	4,487
Gain (Loss) Asset Sale/Debt Extinguishment		—	2,684
Net increase (decrease) in fair value of investments		—	24,405
Loan and commitment fees		—	2,117
Administrative fees and other		—	(2,227)
Total operating revenues		164	84,369
Operating expenses:			
Interest		164	57,187
Amortization of bond issuance costs		166	2,199
Administrative fees and other		10	392
Total operating expenses		340	59,778
Operating income (loss)		(176)	24,591
Other financing sources (uses) – operating transfers		431	(3,536)
Change in net assets		255	21,055
Total net assets – beginning		—	79,538
Total net assets – ending	$	255	100,593
Net cash provided by (used in):			
Operating activities	$	431	84,921
Noncapital financing activities		154,569	(11,234)
Investing activities		164	7,642
Net increase (decrease)		155,164	81,329
Cash and cash equivalents, beginning of year		—	168,962
Cash and cash equivalents, end of year	$	155,164	250,291

(Continued)

(In thousands)

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**	**2002 Series A, B**	**2003 Series A, B**	**2004 Series A, B**
Current assets:								
Restricted cash and cash equivalents	$ —	90	173	—	145	135	140	255
Accrued interest receivable	1	17	—	84	—	49	39	39
Other current assets	—	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(1)	(1)	(3)	(12)	(6)	—	—	—
Total current assets	—	106	170	72	139	184	179	294
Noncurrent assets:								
Restricted cash and cash equivalents	—	5	—	362	173	441	257	263
Note receivable	9,900	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	—	3,510	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	80	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	—	3,590	—	—	—	—	—	—
Restricted mortgage loans, net	—	—	7,890	19,015	9,252	8,844	8,439	8,607
Bond issuance costs, net	—	—	—	—	—	156	69	190
Total noncurrent assets	9,900	3,595	7,890	19,377	9,425	9,441	8,765	9,060
Total assets	$ 9,900	3,701	8,060	19,449	9,564	9,625	8,944	9,354
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ —	49	105	238	193	137	38	38
Accounts payable and other accrued expenses	—	—	4	2	24	—	—	—
Current portion of bonds payable	—	90	220	—	145	135	140	255
Total current liabilities	—	139	329	240	362	272	178	293
Noncurrent liabilities:								
Bonds payable, net	9,900	3,360	7,725	19,015	9,165	9,409	8,745	8,830
Accrued arbitrage rebate	—	25	1	—	—	—	—	—
Total noncurrent liabilities	9,900	3,385	7,726	19,015	9,165	9,409	8,745	8,830
Total liabilities	9,900	3,524	8,055	19,255	9,527	9,681	8,923	9,123
Net assets restricted for debt service	—	177	5	194	37	(56)	21	231
Total liabilities and net assets	$ 9,900	3,701	8,060	19,449	9,564	9,625	8,944	9,354

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Balance Sheets	Rental Housing Mortgage Programs							
Assets	**2004 Series C, D**	**2004 Series E**	**2004 Series F, G**	**2005 Series A, B**	**2005 Series C, D**	**2005 Series E, F**	**2006 Series A**	**2007 Series A, B**
Current assets:								
Restricted cash and cash equivalents	$ 155	72	83	155	60	175	40	120
Accrued interest receivable	54	40	47	49	16	52	109	25
Other current assets	—	—	—	—	—	—	5	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—	—
Total current assets	209	112	130	204	76	227	154	145
Noncurrent assets:								
Restricted cash and cash equivalents	362	—	393	397	125	330	—	168
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	11,337	7,183	10,183	10,885	3,785	12,020	9,184	5,496
Bond issuance costs, net	72	—	44	97	—	163	—	—
Total noncurrent assets	11,771	7,183	10,620	11,379	3,910	12,513	9,184	5,664
Total assets	$ 11,980	7,295	10,750	11,583	3,986	12,740	9,338	5,809
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$ 54	39	46	47	16	52	71	25
Accounts payable and other accrued expenses	—	3	1	—	3		—	2
Current portion of bonds payable	155	145	83	155	60	175	90	120
Total current liabilities	209	187	130	202	79	227	161	147
Noncurrent liabilities:								
Bonds payable, net	11,815	7,092	10,637	11,320	3,960	12,537	9,140	5,719
Accrued arbitrage rebate	—	—	—	—	—	—	—	—
Total noncurrent liabilities	11,815	7,092	10,637	11,320	3,960	12,537	9,140	5,719
Total liabilities	12,024	7,279	10,767	11,522	4,039	12,764	9,301	5,866
Net assets restricted for debt service	(44)	16	(17)	61	(53)	(24)	37	(57)
Total liabilities and net assets	$ 11,980	7,295	10,750	11,583	3,986	12,740	9,338	5,809

(In thousands)

Balance Sheets

Assets		2007 Series C, D	2008 Series A,B	2009 Series A	2010 Series A,B	Total Rental Housing Mortgage Programs
		Rental Housing Mortgage Programs				
Current assets:						
Restricted cash and cash equivalents	$	—	—	—	—	1,798
Accrued interest receivable		158	3	18	11	811
Other current assets		—	—	—	—	5
Intra-entity receivable (payable)		(7)	—	—	—	(30)
Total current assets		151	3	18	11	2,584
Noncurrent assets:						
Restricted cash and cash equivalents		—	—	—	4,715	7,991
Note receivable		—	—	—	—	9,900
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost		—	—	—	—	3,510
Unrealized gain (loss) securitized mortgage loans		—	—	—	—	80
Total restricted securitized mortgage loans, net		—	—	—	—	3,590
Restricted mortgage loans, net		13,783	8,900	2,726	4,937	162,466
Bond issuance costs, net		—	—	—	—	791
Total noncurrent assets		13,783	8,900	2,726	9,652	184,738
Total assets	$	13,934	8,903	2,744	9,663	187,322
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$	158	3	18	10	1,337
Accounts payable and other accrued expenses		—	—	1	4,634	4,674
Current portion of bonds payable		65	—	—	—	2,033
Total current liabilities		223	3	19	4,644	8,044
Noncurrent liabilities:						
Bonds payable, net		13,802	8,900	2,738	5,097	178,906
Accrued arbitrage rebate		—	—	—	—	26
Total noncurrent liabilities		13,802	8,900	2,738	5,097	178,932
Total liabilities		14,025	8,903	2,757	9,741	186,976
Net assets restricted for debt service		(91)	—	(13)	(78)	346
Total liabilities and net assets	$	13,934	8,903	2,744	9,663	187,322

(Continued)

(In thousands)

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	2002 Series A, B	2003 Series A, B
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	758	205	424	1,007	553	538	457
Interest on securities and temporary investments		—	5	—	—	—	19	15
Net increase (decrease) in fair value of investments		—	57	—	—	—	—	—
Loan and commitment fees		—	—	—	—	—	8	7
Administrative fees and other		(12)	(5)	32	(48)	5	—	—
Total operating revenues		746	262	456	959	558	565	479
Operating expenses:								
Interest expense		718	199	424	951	554	536	462
Amortization of bond issuance costs		—	—	—	—	—	9	4
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		28	1	32	6	4	—	2
Total operating expenses		746	200	456	957	558	545	468
Operating income (loss)		—	62	—	2	—	20	11
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		—	62	—	2	—	20	11
Total net assets – beginning		—	115	5	192	37	(76)	10
Total net assets – ending	$	—	177	5	194	37	(56)	21
Condensed Statement of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	718	281	636	953	692	662	579
Noncapital financing activities		(718)	(284)	(637)	(951)	(692)	(680)	(588)
Investing activities		—	6	—	—		20	15
Net increase (decrease)		—	3	(1)	2	—	2	6
Cash and cash equivalents, beginning of year		—	92	174	360	318	574	391
Cash and cash equivalents, end of year	$	—	95	173	362	318	576	397

(Continued)

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		Rental Housing Mortgage Programs 2004 Series A, B	2004 Series C, D	2004 Series E	2004 Series F, G	2005 Series A, B	2005 Series C, D	2005 Series E, F
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	457	630	487	552	578	188	612
Interest on securities and temporary investments		22	26	—	18	23	—	17
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	—
Loan and commitment fees		7	10	—	9	10	3	11
Administrative fees and other		—	—	(11)	—	—	—	—
Total operating revenues		486	666	476	579	611	191	640
Operating expenses:								
Interest expense		469	651	473	562	575	190	622
Amortization of bond issuance costs		11	4	—	2	5	(1)	6
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		3	3	13	3	3	2	4
Total operating expenses		483	658	486	567	583	191	632
Operating income (loss)		3	8	(10)	12	28	—	8
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		3	8	(10)	12	28	—	8
Total net assets – beginning		228	(52)	26	(29)	33	(53)	(32)
Total net assets – ending	$	231	(44)	16	(17)	61	(53)	(24)
Condensed Statement of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	693	780	552	685	721	239	774
Noncapital financing activities		(710)	(803)	(551)	(702)	(720)	(250)	(788)
Investing activities		22	26	—	18	23	—	17
Net increase (decrease)		5	3	1	1	24	(11)	3
Cash and cash equivalents, beginning of year		513	514	71	475	528	196	502
Cash and cash equivalents, end of year	$	518	517	72	476	552	185	505

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

Notes to Financial Statements

September 30, 2010

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		**2006 Series A**	**2007 Series A, B**	**2007 Series C, D**	**2008 Series A, B**	**2009 Series A**	**2010 Series A,B**	**Total Rental Housing Mortgage Programs**
		Rental Housing Mortgage Programs						
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	438	303	897	19	117	40	9,260
Interest on securities and temporary investments		—	—	—	20	—	—	165
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	57
Loan and commitment fees		—	5	—	—	—	3	73
Administrative fees and other		(7)	—	1	—	—	20	(25)
Total operating revenues		431	308	898	39	117	63	9,530
Operating expenses:								
Interest expense		431	304	897	39	117	35	9,209
Amortization of bond issuance costs		—	(1)	—	—	—	—	39
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		50	2	16	—	13	5	190
Total operating expenses		481	305	913	39	130	40	9,438
Operating income (loss)		(50)	3	(15)	—	(13)	23	92
Other financing sources (uses) – operating transfers		—	—	—	—	—	(101)	(101)
Change in net assets		(50)	3	(15)	—	(13)	(78)	(9)
Total net assets – beginning		87	(60)	(76)	—	—	—	355
Total net assets – ending	$	37	(57)	(91)	—	(13)	(78)	346
Condensed Statement of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	353	362	911	(272)	(2,639)	(357)	7,323
Noncapital financing activities		(431)	(364)	(1,011)	(40)	2,639	5,072	(3,209)
Investing activities		—	—	—	20	—	—	167
Net increase (decrease)		(78)	(2)	(100)	(292)	—	4,715	4,281
Cash and cash equivalents, beginning of year		118	290	100	292	—	—	5,508
Cash and cash equivalents, end of year	$	40	288	—	—	—	4,715	9,789

(Continued)

(In thousands)

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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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)

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)

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

(Continued)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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

(Continued)

(In thousands)

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
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 by (used in):					
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

(Continued)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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 by (used in):									
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

(Continued)

(In thousands)

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
	Single Family Mortgage Programs							
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 by (used in):								
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

(Continued)

(In thousands)

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 by (used in):									
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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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 by (used in):									
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

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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 by (used in):									
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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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 by (used in):						
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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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

(In thousands)

Balance Sheets

Assets		Rental Housing Mortgage Programs 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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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)

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

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

Notes to Financial Statements

September 30, 2009

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		Rental Housing Mortgage Programs 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)

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

Notes to Financial Statements

September 30, 2009

(In thousands)

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

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, 2010

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	$ 1,120,034
Rural Community Development Initiative	10.446	N/A	69,030
Total U.S. Department of Agriculture			1,189,064
U.S. Department of Housing and Urban Development:			
Mortgage Insurance – Homes (FHA)	14.117	N/A	5,866,427
Housing Counseling Program	14.169	HC-0841-003	193,481
542(c) Risk Sharing Program *	14.188	N/A	93,936,909
Training and Technical Assistance	14.227	NMHM00104	62,534
Community Development Block Grant (CDBG) pass-through State DFA	14.228	07-C-NR-I-7-G-54	107,664
Neighborhood Stabilization Program pass-through State DFA (a CDBG grant)*	14.228	09-NSP-2-J-01	4,374,466
Emergency Shelter Grants Program	14.231	S-10-DC-35-0001	811,602
HOME Investment Partnerships Program *	14.239	M-10-SG-35-0100	7,147,606
Housing Opportunities for Persons with AIDS	14.241	NMH010-F-999	522,247
Rural Housing and Economic Development Program	14.250	RH-05-NM-I-0072	29,800
ARRA – Homelessness Prevention and Rapid Re-Housing Program *	14.257	S-09-DY-35-0001	2,742,134
ARRA-Tax Credit Assistance Program*	14.258	M-09-ES-35-0100	7,825,592
Section 8 Housing Choice Vouchers	14.871	NM800CC001	25,514,995
Total U.S. Department of Housing and Urban Development			149,135,457
U.S. Department of the Treasury, pass-through from Neighborworks America			
National Foreclosure Mitigation Counseling	21.000	PL111-117:95X1350	84,915
U.S. Department of Energy:			
Weatherization Assistance for Low Income Persons*	81.042	EE0000207	2,567,223
ARRA – Weatherization Assistance for Low Income Persons *	81.042	EE0000104	8,867,133
Total U.S. Department of Energy			11,434,356
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	11-630-9000-0040	2,289,154
Total federal awards			$ 164,132,946

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

American Recovery and Reinvestment Act of 2009 (ARRA)

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, 2010 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, 2010, the Authority serviced $5,866,000 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 42 loans. HUD's assumed risk approximated $113,486,000 at September 30, 2010. Of the 42 loans closed, the Authority funded 30 loans with outstanding principal of $104,374,000 at September 30, 2010. HUD's assumed risk of loss of approximately $93,937,000 related to these 30 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, 2010, the loan had an outstanding principal of $1,244,000, of which the USDA assumed risk of loss of approximately $1,120,000 recorded in the accompanying Schedule.

(4) Relationship to Federal Financial Reports

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

(Continued)

(5) Subrecipients

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

Federal grants/program title	Federal CFDA number		Amount provided to subrecipients
U.S. Department of Agriculture:			
Rural Community Development Initiative	10.446	$	69,030
U.S. Department of Housing and Urban Development:			
Housing Counseling Program	14.169		178,481
Community Development Block Grant (CDBG)	14.228		102,281
Neighborhood Stabilization Program (a CDBG grant)	14.228		4,225,127
Emergency Shelter Grants Program	14.231		786,343
HOME Investment Partnerships Program	14.239		6,531,709
Housing Opportunities for Persons with AIDS	14.241		507,349
Rural Housing and Economic Development Program	14.250		29,800
ARRA-Homeless Prevention and Rapid Re-Housing *	14.257		2,593,105
ARRA-Tax Credit Assistance Program *	14.258		7,825,592
Section 8 Housing Choice Vouchers	14.871		24,208,793
Total U.S. Department of Housing and Urban Development			46,988,580
U.S. Department of the Treasury:			
National Foreclosure Mitigation Counseling	21.000		83,746
U.S. Department of Energy:			
Weatherization Assistance Program for Low Income Persons	81.042		2,502,164
ARRA – Weatherization Assistance Program for Low Income Persons *	81.042		8,192,890
Total U.S. Department of Energy			10,695,054
U.S. Department of Health and Human Services:			
Low-Income Home Energy Assistance Program	93.568		2,208,963
Total federal assistance awarded to subrecipients		$	60,045,373

*American Recovery and Reinvestment Act of 2010

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

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, 2010 and we have issued our report therein dated January 7, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 7, 2011

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 New Mexico Mortgage Finance Authority (the Authority), a component unit of the State of New Mexico, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the Authority's major federal programs for the year ended September 30, 2010. 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 2010-02 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Davis Bacon Act that are applicable to its HOME Investment Partnership 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, 2010. 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 2010-01, 2010-06, and 2010-07.

Internal Control over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider none of the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-02 to be a significant deficiency.

Other control findings not considered significant deficiencies or material weaknesses are described in the accompanying schedule of findings and questioned costs as findings 2010-01 and 2010-03 through 2010-07.

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 responses, and accordingly, we express no opinion on the response.

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 7, 2011

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Summary Schedule of Prior Year Audit Findings
September 30, 2010

Section II – Financial Statement Findings

None

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

Resolved

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

Resolved

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

Resolved

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

Resolved

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

None

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

• Material weaknesses identified?	______	yes	x	no
• Significant deficiencies identified that are not considered to be material weaknesses?	______	yes	x	None reported
• Noncompliance material to financial statements noted?	______	yes	x	no

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	______	yes	x	no
• Significant deficiencies identified that are not considered to be material weaknesses?	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
542 (c) Risk Sharing Program	14.188
Neighborhood Stabilization Program (a CDBG grant)	14.228
HOME Investment Partnership Program	14.239
ARRA – Homeless Prevention and Rapid Re-Housing	14.257
ARRA – Tax Credit Assistance Program	14.258
Weatherization Assistance for Low Income Persons	81.042
ARRA – Weatherization Assistance for Low Income Persons	81.042

Dollar threshold used to distinguish between type A and type B programs $3,000,000

Auditee qualified as low-risk auditee?	______	yes	x	no

(Continued)

Section II – Financial Statement Findings

No such findings were identified.

Section III – Federal Award Findings and Questioned Costs

Finding 2010-01 – Special Test – Environmental Reviews

U.S. Department Housing and Urban Development

Neighborhood Stabilization Program (Community Development Block Grants/State's Program) – CFDA 14.228

Grant No.: Pass through of the New Mexico DFA 09-NSP-2-J-01

Fiscal program award year: March 27, 2009 – June 20, 2013

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

Condition

Funds are to be obligated and expended after the DFA approval of Request for Release of Funds (RROFs) and environmental certifications.

Out of six purchased property disbursements tested, one disbursement was obligated and expended prior to receipt of the HUD environmental certification. The environmental certification was received within two weeks after the disbursement of the funds.

Criteria

Per the OMB *Circular A-133 Compliance Supplement,* projects must have an environmental review unless they meet criteria specified in the regulations that would exclude them from RROF and environmental certification requirements. States that directly implement NSP activities are considered recipients and must assume environmental review responsibilities for the State's activities and those of any non-governmental entity that participates in the project. States that directly implement activities must submit the RROF and the environmental certifications to DFA for approval (24 CFR sections 58.4(b)(1), 58.34 and 58.35).

Cause

The Authority disbursed funds prior to the receipt of the environmental certification. Management indicates that they had received verbal indications that the certification would be received.

Effect

This disbursement of federal funds prior to the receipt of required documentation could cause the Authority to expend funds for a non-eligible purpose and be noncompliant with Authority's grant agreement.

Questioned Cost

Questioned costs are not applicable to this finding as the required certification was received and the project was determined to be eligible.

Recommendation

We recommend that the Authority assure proper supporting documentation is obtained prior to the obligation (contract) and disbursement of funds. The program management should consider utilizing a checklist.

Management's Response

The Program Manager received verbal approval from DFA to proceed; therefore authorized the obligation and disbursement of funds. Procedures have been implemented to ensure written approval of RROFs and environmental certifications are received from DFA prior to obligation and disbursement of the NSP funds.

Finding 2010-02 – Davis Bacon Act

U.S. Department Housing and Urban Development

HOME Investment Partnership Program – CFDA 14.239

Grant No.: M-10-SG-35-0100

Fiscal program award years: January 1 – December 31, 2009 and 2010.

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

Condition

On a weekly basis, the Authority is required to obtain and review contractor certified payroll reports to assure proper prevailing wage rates are paid on construction projects financed by federal funds. The payroll reports are to be reviewed prior to the drawdown and disbursement of related federal funds to the primary contractor. KPMG tested nine payroll reports subject to Davis Bacon Act compliance and noted two payroll reports were not on file or obtained by the Authority and therefore could not be tested.

Criteria

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly, 40 USC 276a to 276a-7)).

Per the OMB *Circular A-133 Compliance Supplement*, non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6)

Cause

The Authority has primary contracts with entities (subcontractors/subgrantees) that are completing construction projects in excess of $2,000 under the federal program. Many of these subcontractors are not submitting payroll reports weekly as required. In some instances, the primary contractor has secondary contracts with other entities and these secondary subcontractors are also not timely submitting payroll reports to the primary subcontractor; thus, the Authority does not receive all applicable payroll reports in the required weekly time frame.

The primary contractors and secondary subcontractors do not have adequate procedures in place to support the Davis Bacon Act requirement and therefore negatively affect the compliance status of the Authority.

In many instances, the Authority makes periodic requests to the contractors for their delinquent payroll reports. However, the primary contractors are only submitting the required payroll reports at the same time the contractor makes its periodic request for reimbursement.

Effect

The weekly requirement established by the DOL is to assure that incorrect payroll reports are detected and corrected in a timely manner. Not reviewing or not timely reviewing contractor payroll reports could delay identification of noncompliance with the prevailing wage rate and in some cases the timeframe for correction could pass. This can cause the Authority to be noncompliant in regards to the expenditure of federal funds in accordance with the Davis Bacon Act and the Authority's grant agreement.

Questioned Cost

Question costs are not applicable to this finding as all sampled payroll reports were received and reviewed for accuracy by the Authority (the two sample payroll reports originally not on file were obtained and reviewed before the end of audit fieldwork).

Recommendation

We recommend that the Authority assure the primary contractors are trained in the requirements of the Davis Bacon Act and implement a penalty for noncompliance. The primary contractors should assure the secondary subcontractors are also trained on the requirements of the Davis Bacon Act, as the secondary subcontractors can directly affect the compliance of the primary contractors and the Authority.

In addition, the Authority should assure that all contractor payrolls reviewed are maintained on file for the applicable period required by the Code of Federal Regulations and all payroll reports are properly reviewed prior to the drawdown and disbursement of the federal funds to the contractors.

Management's Response

The Authority will conduct training on the Davis Bacon requirements for all primary and secondary contractors within three months. Invoices covering the payroll periods will not be paid until all certified payrolls are received and reviewed.

The two payroll reports that were not on file were the result of a former employee not complying with Authority procedures. Current employees responsible for this process are familiar with the required procedures and all payroll reports are maintained on file. Copies of the missing payrolls were subsequently obtained and reviewed and are now on file.

(Continued)

Finding 2010-03 – Eligibility

U.S. Department Housing and Urban Development

HOME Investment Partnership Program – CFDA 14.239

Grant No.: M-10-SG-35-0100

Fiscal program award years: January 1 – December 31, 2009 and 2010

Type of Finding: *Deficiency in Internal Controls*

Condition

The HOME Program has income targeting requirements. Out of nine recipients/participants tested, one participant's income verification was improperly calculated. However, the participant was still determined eligible to receive benefits once the proper period data was utilized.

Criteria

Per the OMB *Circular A-133 Compliance Supplement*, only low-income or very low-income persons, as defined in 24 CFR section 92.2, can receive housing assistance (24 CFR section 92.1). Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income, as provided for in 24 CFR section 92.203. Participating jurisdictions must maintain records for each family assisted (24 CFR section 92.508).

Cause

The Authority mistakenly calculated the participant's annual income using data not applicable to the period or program year.

Effect

Using improper data for income verification can lead to the improper expenditure of federal funds to individuals who are not eligible. This could cause the Authority to be noncompliant in Authority's grant agreement.

Questioned Cost

Question costs are not applicable to this finding as the participant was later determined to be eligible to receive benefits.

Recommendation

We recommend that the Authority assure a second review of income verification is implemented, and completed for accuracy of the calculation.

Management's Response

The error in calculating the income was a result of human error in annualizing the participant's documented income. Upon the correct recalculation of the participant's income, the participant was determined to be eligible for HOME Program benefits. In July 2010 the Authority implemented procedures for secondary review of loan files.

(Continued)

Finding 2010-04 – Program Income

U.S. Department Housing and Urban Development

HOME Investment Partnership Program – CFDA 14.239

Grant No.: M-10-SG-35-0100

Fiscal program award year: January 1 – December 31, 2009 and 2010

Type of Finding: *Deficiency in Internal Controls*

Condition

Income received by the Authority, which has been generated by a grant program, is required to be spent for the grant program's purposes before additional grant funds are drawn from the federal government. In order to track the program income applicable to each of its grant programs in its general ledger, the Authority prepares a bank transfer letter, which documents program income received and the applicable grant program to which it relates. The amount of program income is deducted from future federal outlays and used for the purpose of the program prior to drawing down additional HOME program federal funds.

Out of 25 program income receipts sampled, there were two instances of program income from a non-Home program grant being inadvertently recorded as HOME program income in the general ledger.

Criteria

Per the OMB *Circular A-133 Compliance Supplement*, the program income is to be generated from an allowable source, properly recorded in the accounting records, and properly used in accordance with program requirements. In accordance with OMB Circular A-133, the program is required to have internal controls in place to mitigate risk of noncompliance with the use of program income.

Cause

The bank transfer letter is not being properly reviewed to assure applicable program income dollars are allocated and recorded to the proper program general ledger account. The HOME program and another non-federal program are comingled in the same bank account. The Authority personnel reviewing the bank transfer letters did not split the program income into the proper two general ledger accounts.

Effect

As the non-federal program does not have specific requirements for its use of its program income, there is no noncompliance with the use of federal funds. However, the lack of proper review of the bank transfer letter could cause incorrect or unallowable recording of program income in the general ledger. The review of the bank transfer letter should detect the misapplication of program income.

Questioned Cost

Questioned costs are not applicable to this finding as HOME program federal funds were not misappropriated.

(Continued)

Recommendation

We recommend that the Authority assure proper supporting documentation is reviewed to assure program income is recoded properly and from allowable sources. The bank transfer letters should be reviewed to assure program income is from HOME program loans.

Management's Response

Prior to this occurrence the HOME Program was the only program generating program income from loan repayments; therefore, the program income was recorded using the bank statement activity. Effective July 2010, the bank transfer letter and detail collection report, which indicates the program that generates the loan repayment program income, is being used as the source for recording the activity.

Finding 2010-05 – Activities Allowable and Unallowed and Allowable Cost/Cost Principles

U.S. Department Housing and Urban Development

American Recovery and Reinvestment Act (ARRA) Homelessness Prevention and Rapid Re-Housing Program – CFDA 14.257

Grant No.: S-09-DY-35-0001

Fiscal program award year: August 1, 2009 – August 1, 2012

Type of Finding: *Deficiency in Internal Controls*

Condition

In establishing a system of internal controls specific to payroll expenses, one effective internal control is to have a proper level of authority review and approve all Personnel Action Report (PAR) for accuracy. Based on the audit procedures performed, out of the 42 employee tested, two PARs included formula errors. The hours of one day were not included in the program's hours allocation.

Criteria

In accordance with OMB Circular A-133, the program is required to have internal controls in place to mitigate risk of noncompliance of activities allowed or unallowed and allowed costs/cost principles.

Cause

The employee mistakenly modified the formula in the payroll excel file, which resulted in one day of the week being excluded from program hours. The PAR was reviewed for reasonableness by the accounting department but due the fact that this was a formula error within the excel file the error went undetected. The excel PAR formulas cannot be locked as the current version of Microsoft Office does not allow that specific functionality when the files are uploaded to a Microsoft database.

Effect

Formula errors in the excel timesheets could lead to program funds being inappropriately expended. This could cause the Authority to be non-compliant in Authority's grant agreement.

Questioned Cost

Questioned costs are not applicable to this finding as the applicable formula error caused allowable hours to be understated, and therefore, the related applicable payroll expense was not charged to the program.

Recommendation

If using excel PAR files, we recommend the Authority lock the formulas in the files used by employees. If the lock functionality is not possible, the Authority should assure all employees are aware and trained on propriety of the formulas. In addition, the Authority should continue to follow the current policies of the accounting department performing spot checks on the PAR file formulas to assure accuracy.

(Continued)

Management's Response

Additional instruction will be provided to staff on the proper use of the Personnel Activity Report (PAR). The Authority will be converting to Microsoft Office 2010 during 2011, which will allow us to lock cells in the excel PAR without blocking the upload into the database. In addition to the reasonableness review done by Accounting each pay period, during July the Authority implemented summary reports that are reviewed for reasonableness by supervisors.

(Continued)

Finding 2010-06 – Davis Bacon Act

U.S. Department Housing and Urban Development

American Recovery and Reinvestment Act (ARRA) Tax Credit Assistance Program – CFDA 14.258

Grant No.: M09-ES-35-0100

Fiscal program award year: June 26, 2009 – February 16, 2012

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

Condition

On a weekly basis, the Authority is required to obtain and review contractor certified payroll reports to assure proper prevailing wage rates are paid on construction projects financed by federal funds. The payroll reports are to be reviewed prior to the drawdown and disbursement of related federal funds to the primary contractor. Out of 27 payroll reports tested for Davis Bacon Act compliance, four payroll reports were not timely submitted by the subcontractors/or obtained by the Authority. The related expenses for these payrolls were paid/disbursed to the primary contractor prior to the receipt and review of the payroll reports. However, all four payroll reports were ultimately received and reviewed for accuracy by the Authority.

Criteria

All laborers and mechanics employed by or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the contractors DOL (40 USC 3141-3144, 3146, and 3147 (formerly, 40 USC 276a to 276a-7)).

Per the OMB *Circular A-133 Compliance Supplement*, non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6)

Cause

The Authority has primary contracts with entities (contractors/subgrantees) that are completing construction projects in excess of $2,000 under the federal program. Many of these subcontractors are not submitting payroll reports weekly as required. In some instances, the primary contractor has secondary contacts with other entities and these secondary subcontractors are also not timely submitting payroll reports to the primary contractor; thus, the Authority does not receive all applicable payroll reports in the required weekly time frame.

The primary contractor and secondary subcontractors do not have adequate procedures in place to support the Davis Bacon Act requirement and therefore negatively affect the compliance status of the Authority.

 (Continued)

In many instances, the Authority makes periodic request to the contractors for their delinquent payroll reports. However, the primary contractors are only submitting the required payroll reports at the same time the contractor makes its periodic request for reimbursement.

Effect

The weekly requirement established by the DOL is to assure that incorrect payroll reports are detected and corrected in a timely manner. Not reviewing or not timely reviewing contractor payroll reports could delay identification of noncompliance with the prevailing wage rate and in some cases the timeframe for correction could pass. This can cause the Authority to be noncompliant in regards to the expenditure of federal funds in accordance with the Davis Bacon Act and the Authority's grant agreement.

Questioned Cost

Question costs are not applicable to this finding as all sampled payroll reports were received and reviewed for accuracy by the Authority.

Recommendation

We recommend that the Authority assure the primary contractors are trained in the requirements of the Davis Bacon Act and implement a penalty for noncompliance. The primary contractors should assure the secondary subcontractors are also trained on the requirements of the Davis Bacon Act, as the secondary contractors can directly affect the compliance of the primary subcontractors and the Authority.

In addition, the Authority should implement a process to assure all payroll reports are properly reviewed prior to the drawdown and disbursement of the federal funds to the contractors.

Management's Response

The Authority will conduct training on the Davis Bacon requirements for all primary and secondary contractors within three months. Invoices covering the payroll periods will not be paid until all certified payrolls are received and reviewed.

(Continued)

Finding 2010-07 – Davis Bacon Act

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.: EE0000104

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

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

Condition

On a weekly basis, the Authority is required to obtain and review contractor certified payroll reports to assure proper prevailing wage rates are paid on construction projects financed by federal funds. The payroll reports are to be reviewed prior to the drawdown and disbursement of related federal funds to the primary contractor. Out of 31 payroll reports tested for Davis Bacon Act compliance, one payroll report was not timely submitted by the subcontractors/or obtained by the Authority. The related expenses for this payroll were paid/disbursed to the primary contractor prior to the receipt and review of this payroll report. However, the one payroll report was ultimately received and reviewed for accuracy by the Authority.

Criteria

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly, 40 USC 276a to 276a-7)).

Per the OMB *Circular A-133 Compliance Supplement*, non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6)

Cause

The Authority has primary contracts with entities (contractors/subgrantees) that are completing construction projects in excess of $2,000 under the federal program. Many of these contractors are not submitting payroll reports weekly as required. In some instances, the primary contractor has secondary contacts with other entities and these secondary subcontractors are also not timely submitting payroll reports to the primary subcontractor; thus, the Authority does not receive all applicable payroll reports in the required weekly time frame.

The primary contractor and secondary subcontractors do not have adequate procedures in place to support the Davis Bacon Act requirement and therefore negatively affect the compliance status of the Authority.

In many instances, the Authority makes periodic requests to the contractors for their delinquent payroll reports. However, the primary subcontractors are only submitting the required payroll reports at the same time the contractor makes its periodic request for reimbursement.

Effect

The weekly requirement established by the DOL is to assure that incorrect payroll reports are detected and corrected in a timely manner. Not reviewing or not timely reviewing contractor payroll reports could delay identification of noncompliance with the prevailing wage rate and in some cases the timeframe for correction could pass. This can cause the Authority to be noncompliant in regards to the expenditure of federal funds in accordance with the Davis Bacon Act and the Authority's grant agreement.

Questioned Cost

Question costs are not applicable to this finding as all sampled payroll reports were received and reviewed for accuracy by the Authority.

Recommendation

We recommend that the Authority assure the primary contractors are trained in the requirements of the Davis Bacon Act and implement a penalty for noncompliance. The primary contractors should assure the secondary subcontractors are also trained on the requirements of the Davis Bacon Act, as the secondary contractors can directly affect the compliance of the primary subcontractors and the Authority.

In addition, the Authority should implement a process to assure all payroll reports are properly reviewed prior to the drawdown and disbursement of the federal funds to the contractors.

Management's Response

The Authority will conduct training on the Davis Bacon requirements for all primary and secondary contractors within three months. Invoices covering the payroll periods will not be paid until all certified payrolls are received and reviewed.

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, 2010

	CUSIP	Rate	Maturity		Bank balance	Book balance
Wells Fargo MFA Housing Programs deposit account and repurchase agreement				$	1,919,390	1,913,984
FDIC Insurance					(65,232)	
Uninsured public funds				$	1,854,158	
102% collateral requirement				$	1,891,241	
Collateral (at fair value):						
FNMA pooled security	31409JGR5	6.00%	5/1/2036			
FNMA pooled security	31408GTK3	6.00	4/1/2036			
FNMA pooled security	31415WR39	6.00	11/1/2038			
FNMA pooled security	31415BL63	6.00	2/1/2038			
Total collateral (at fair value)				$	1,891,241	
Over collateral requirement				$	—	

Wells Fargo has pledged the above collateral, which is being held in safekeeping by Wells Fargo Bank Northwest N.A.

The collateral and FDIC insurance reflect the proportionate share of federal and state amounts in the Wells Fargo MFA Housing programs deposit account.

Exit Conference

An exit conference was conducted on December 15, 2010 in which the contents of this report were discussed with the following:

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