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

Financial Statements
and Single Audit Reports

September 30, 2011 and 2010

(With Independent Auditors' Reports 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, 2011 and 2010

Name	**Title**
Dennis Burt	Chair
Angel Reyes	Vice Chair
James B. Lewis, New Mexico State Treasurer	Treasurer
Gary King, New Mexico Attorney General	Member
Sharron Welsh	Member
Vacancy	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, 2011 and 2010, 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 audit.

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, 2011 and 2010, 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 6, 2012 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 audit.

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 financial statements. The schedule of pledged collateral for public funds 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 for public funds and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the 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 6, 2012

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, 2011 and 2010. 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):

		2011	2010	2009
Cash and cash equivalents (unrestricted and restricted)	$	171,495	285,257	202,338
Investments (unrestricted and restricted)		42,075	36,611	154,141
Mortgage-backed securities and mortgage loans receivable		1,328,444	1,349,748	1,353,693
Total assets		1,564,577	1,706,826	1,743,190
Bonds payable		1,281,813	1,443,499	1,512,275
Total liabilities		1,301,833	1,470,500	1,538,017
Total net assets		262,744	236,326	205,173
Total operating revenues		97,563	108,556	135,848
Total operating expenses		71,155	78,074	79,245
Operating income		26,408	30,482	56,603
Total nonoperating revenues		10	671	1,120
Change in net assets		26,418	31,153	57,723

Financial Position

The net assets of the Authority increased $26.4 million from September 30, 2010 to September 30, 2011 and increased $31.2 million from September 30, 2009 to September 30, 2010. The following table is a condensed summary of net assets at September 30, 2011, 2010, and 2009 (in thousands):

		2011	2010	2009
Assets:				
Current assets	$	56,142	63,610	179,657
Noncurrent assets		1,508,435	1,643,216	1,563,533
Total assets		1,564,577	1,706,826	1,743,190
Liabilities:				
Current liabilities		41,034	44,251	166,019
Noncurrent liabilities		1,260,799	1,426,249	1,371,998
Total liabilities		1,301,833	1,470,500	1,538,017
Net assets:				
Invested in capital assets, net of related debt		(456)	(726)	(661)
Restricted		126,077	101,044	79,995
Restricted for land title trust and housing trust		20,089	19,807	18,111
Unrestricted		117,034	116,201	107,728
Total net assets	$	262,744	236,326	205,173

Comparison of Years Ended September 30, 2011 and 2010

The decrease in cash and cash equivalents of $113.8 million reflects a decrease of $127.9 million in escrow bond proceeds invested in U.S. Treasury designated money market funds resulting from participation in the U.S. Treasury's initiative for housing finance agencies referred to as the New Issue Bond Program (NIBP). The Authority was originally allocated $155 million for use in the Single Family Program. The final conversion of the remaining $27.3 million in escrow bonds to long-term interest rates will occur on October 11, 2011 in conjunction with the issuance of new single family mortgage revenue bonds. The NIBP bonds have also served 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 the 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 mortgage backed securities (MBS) 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. This decrease in cash and cash equivalents is offset by increased repayments from securitized mortgage loans, mortgage loan prepayments (payoffs), and excess revenues held at September 30, 2011 in anticipation of bond redemptions scheduled for

January 1. The Authority purchased $161.2 million in MBS and $14.8 million in whole loans during the year; however, MBS and whole loan purchases were offset by MBS prepayments of $145.7 million and whole loan prepayments of $0.8 million, reflected in the $21.3 million net decrease of MBS and mortgage loans receivable. The $5.5 million increase in investments is attributed to the reclassification of approximately $5 million in MBS from loans to investments. The overall effect of these elements resulted in the 8.3% decrease in total assets. Over the past year, the Authority experienced a $161.7 million net decrease in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were $212.5 million; bond repayments and refundings totaled $369.3 million, resulting in the net decrease for the year. The Authority received $170.8 million in repayments of securitized mortgage loans and $35.5 million of whole loan and down payment assistance loan repayments during the year.

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 loan prepayments (payoffs), and excess revenues held at September 30, 2010 in anticipation of bond redemptions scheduled for January 1st. 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 United States Treasury' initiative referred to as the 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 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 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 MBS 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 $19.6 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 $4.1 million net increase 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.

(Continued)

Change in Financial Position

The Authority's operating income for the year decreased by approximately $4.1 million when compared to fiscal year 2010. The following table is a condensed summary of changes in net assets for the years ended September 30, 2011, 2010, and 2009 (in thousands):

		2011	2010	2009
Operating revenues:				
Interest on loans and MBS	$	62,992	65,993	68,633
Interest on securities and investments		5,260	5,829	6,909
Program revenues		1,634	1,632	1,749
Net increase in fair value of investments		23,050	24,726	55,269
Loan and commitment fees		1,981	2,240	1,434
Administrative fees and other revenues		2,646	8,136	1,854
Total operating revenues		97,563	108,556	135,848
Operating expenses:				
Interest expense		59,561	66,607	68,769
Administrative fees and other expenses		11,594	11,467	10,476
Total operating expenses		71,155	78,074	79,245
Operating income		26,408	30,482	56,603
Nonoperating revenues (expenses):				
Grant income		85,932	89,368	42,781
Grant expense		(85,932)	(89,368)	(42,781)
State appropriations		—	750	1,250
Land title trust contributions		12	11	25
Land title trust grant distributions		(2)	(90)	(155)
		10	671	1,120
Change in net assets		26,418	31,153	57,723
Total net assets, beginning of year		236,326	205,173	147,450
Total net assets, end of year	$	262,744	236,326	205,173

Comparison of Years Ended September 30, 2011 and 2010

The change in fair value of securities for 2011 was an increase of $23.1 million compared to an increase of $24.7 million in 2010. This line represents an increase in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2011 compared to their fair value at September 30, 2010 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 2010 to 2011 is a decrease over prior year of $1.7 million. Without the GASB No. 31 adjustment, the operating income decreased $2.4 million compared to prior year.

In 2011, the nonoperating revenues decreased by $0.7 million in comparison to 2010 due to the Authority recognizing $0.8 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 $11.0 million from 2010 to 2011, and without the GASB No. 31 adjustment, operating revenues were approximately $9.3 million less than in 2010. The low interest rate environment continued to impact interest income related revenue. As a result of a continued drop in MBS and mortgage loan production, the Authority experienced a decrease in mortgage interest revenue of approximately $3.0 million in the current year. Investment rates remained low; thus, interest revenue from investment securities decreased over the prior year by approximately $0.6 million. The Authority experienced a decrease of $5.5 million for administrative fees and other income as a result of nonrecurring investment gains related to an MBS sale transaction in 2010 and lower realized market value gains on the State Investment Council Funds in 2011. The decrease in loan production and related bond issuance over the last several years, coupled with the high level MBS prepayments, also negatively impacted administrative fees generated.

Operating expenses decreased by $6.9 million, approximately 9%, primarily due to decreased interest expense of $7.0 million associated with bond redemptions due to prepayments. Although prepayments during this fiscal year decreased by 2%, they remain at very high levels.

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 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 income increased $4.4 million compared to prior year.

In 2010, the nonoperating revenues decreased by $0.5 million due to the Authority recognizing in 2010 $0.5 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 Reinvestment and Recovery Act of 2009 (ARRA) programs, as well as non-recurring investment gains related to a MBS sale. 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.

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 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.

During fiscal year 2011, the Authority issued $184.1 million of Single Family Program revenue bonds, $82.5 million more than the $101.6 million issued in 2010. The NIBP program was an integral part of the Authority's ability to issue mortgage revenue bonds during this fiscal year providing competitive mortgage rates for the Single Family Program. As part of the NIBP, 60% of the total debt issued carried an interest rate ceiling that was locked in advance and tied to the 10-year treasury rate, which was at historic lows in fiscal year 2011, plus 60 basis points. This lower cost of funds allowed the Authority to provide mortgage rates that were competitive with the traditional mortgage market, creating a steady stream of demand for the Single Family Program. The NIBP in conjunction with the continuous lending loan origination model saved the Authority approximately $1.5 million in negative arbitrage this fiscal year in comparison to 2010. In October 2011, the Authority issued its final $27.2 million of NIBP bond escrow bond proceeds. The Authority redeemed $299.7 million of Single Family Program bonds due to repayments, compared to $201.3 million in 2010.

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 Authority redeemed $201.3 million of Single Family Program bonds due to repayments, 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 herein. 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.

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 2011, the Authority's programs and investment returns continued to be adversely affected by prolonged 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 bond and MBSs, which provide collateral for the Single Family Program bonds, had previously been rated AAA. However, on August 5, 2011, Standard and Poor's Rating Services (Standard & Poor's) downgraded the United States of

America long-term rating to AA+ due to political risks and rising debt burden. A "Negative Outlook" was also placed on the rating. As a result of the United States downgrade, Standard & Poor's lowered its rating on certain public financed debt issues that are credit enhanced by Fannie Mae and the Federal Home Loan Mortgage Corp. (Freddie Mac). Since the Authority issues single family mortgages that are backed by loans that are credit enhanced by Fannie Mae and Freddie Mac, all of the Authority's single family bond programs were downgraded from AAA to AA+ with a negative outlook. To date, the Master Servicers, Fannie Mae and Ginnie Mae, and the bond investors have continued to provide liquidity without interruption to the Authority's Single Family Programs.

The programs have historically relied on Guaranteed Investment Contracts (GIC) 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 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 bond ratings. 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 Poor's, the Authority's primary rating agency, revised their stress test criteria related to housing bonds and now require that cash flows be run assuming a 0% reinvestment rate. At this time, all the Authority's single family bonds have met the required stress tests and have maintained their AA+ 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 improve investment returns, the Authority has been investing in its own MBS as bond programs become callable. This strategy is helping to improve the investment income picture as that portion of the Authority's investment portfolio is yielding close to 6.5%. During this fiscal year, the investments in the State Investment Council Investment Funds Program experienced $0.5 million in fair market value gains in comparison to the improvement in 2010 when fair market value gains were $1.9 million. There continues to be extreme market volatility.

Moving into the new year without the NIBP, the Authority expects to face many challenges in funding the Single Family Program. The cost of funds will be prohibitive in competing with the historically low mortgage interest rates being observed. If borrowers have good credit, they may be able to get better mortgage rates elsewhere. The Authority does, however, believe that down payment assistance programs will help in keeping its program viable.

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 falling real estate values or borrower's personal financial situation.

This financial report is presented to provide the Authority's 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 the Authority's website at www.housingnm.org.

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

Balance Sheets

September 30, 2011 and 2010

(In thousands)

Assets	**2011**	**2010**
Current assets:		
Cash and cash equivalents (note 2):		
Unrestricted	$ 25,158	23,684
Restricted	20,651	20,576
Total cash and cash equivalents	45,809	44,260
Investments and reserve funds (note 2):		
Unrestricted investments, net cost	—	7,005
Unrealized gain on investments and reserve funds	—	20
Total investments and reserve funds, net	—	7,025
Accrued interest receivable	5,851	6,428
Other current assets	4,482	5,897
Total current assets	56,142	63,610
Noncurrent assets:		
Restricted cash and cash equivalents (note 2)	125,686	240,997
Investments and reserve funds (note 2):		
Restricted investments and reserve funds, net cost	11,063	8,731
Unrestricted investments, net cost	30,445	20,905
Unrealized gain (loss) on restricted and unrestricted investments and reserve funds	567	(50)
Total investments and reserve funds, net	42,075	29,586
Restricted note receivable	—	9,900
Restricted securitized mortgage loans, net (note 2 and 3):		
Securitized mortgage loans, net cost	1,030,991	1,048,785
Unrealized gain on securitized mortgage loans	90,272	67,818
Restricted securitized mortgage loans, net	1,121,263	1,116,603
Mortgage loans, net (note 3):		
Restricted mortgage loans, net	137,240	162,560
Restricted trust funds mortgage loans, net	8,012	9,583
Unrestricted mortgage loans, net	61,929	61,002
Total mortgage loans, net	207,181	233,145
Bond issuance costs, net	9,475	10,372
Capital assets (note 4)	1,671	1,494
Intangible assets	202	207
Other noncurrent assets	882	912
Total noncurrent assets	1,508,435	1,643,216
Total assets	$ 1,564,577	1,706,826

(Continued)

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

Balance Sheets

September 30, 2011 and 2010

(In thousands)

Liabilities and Net Assets		**2011**	**2010**
Current liabilities:			
Accrued interest payable	$	11,447	12,841
Accounts payable and other accrued expenses (note 8)		6,660	12,101
Compensated absences (note 9)		302	222
Current portion of bonds payable (notes 5, 7, and 9)		22,625	19,087
Total current liabilities		41,034	44,251
Noncurrent liabilities (note 9):			
Bonds payable, net (notes 5 and 7)		1,259,188	1,424,412
Notes payable (notes 6 and 7)		650	650
Accrued arbitrage rebate		743	970
Other noncurrent liabilities		218	217
Total noncurrent liabilities		1,260,799	1,426,249
Total liabilities		1,301,833	1,470,500
Net assets:			
Invested in capital assets, net of related debt		(456)	(726)
Restricted for debt service		126,077	101,044
Restricted for land title trust and housing trust		20,089	19,807
Unrestricted (note 12)		117,034	116,201
Total net assets		262,744	236,326
Commitments and contingencies (note 13)			
Total liabilities and net assets	$	1,564,577	1,706,826

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, 2011 and 2010

(In thousands)

		2011	2010
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	62,992	65,993
Interest on securities and investments		5,260	5,829
Net increase in fair value of investments		23,050	24,726
Housing program income		1,283	1,287
Program servicing fees		351	345
Loan and commitment fees		1,981	2,240
Administrative fees and other revenues		2,646	8,136
Total operating revenues		97,563	108,556
Operating expenses:			
Interest expense		59,561	66,607
Amortization of bond issuance costs		2,065	2,245
Provision for loan losses		632	573
Administrative and other expenses		8,897	8,649
Total operating expenses		71,155	78,074
Operating income		26,408	30,482
Nonoperating revenues (expenses):			
Grant income		85,932	89,368
Grant expense		(85,932)	(89,368)
State appropriation		—	750
Land title trust contributions		12	11
Land title trust grant distributions		(2)	(90)
Total nonoperating revenues		10	671
Change in net assets		26,418	31,153
Total net assets, beginning of year		236,326	205,173
Total net assets, end of year	$	262,744	236,326

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, 2011 and 2010

(In thousands)

		2011	2010
Cash flows from operating activities:			
Purchase of loans	$	(14,762)	(14,936)
Receipts of loan repayments		35,532	10,891
Loan and commitment fees		1,682	1,959
Mortgage interest received		67,917	71,979
Purchase of securitized mortgage loans		(161,236)	(179,512)
Principal repayment of securitized mortgage loans		170,775	210,700
Notes receivable, net repayments		9,900	—
Receipts for services		5,721	3,752
Payments to employees for services		(5,658)	(5,354)
Payments to suppliers of goods or services		(3,289)	(3,437)
Other receipts		117	273
Net cash provided by operating activities		106,699	96,315
Cash flows from noncapital financing activities:			
Proceeds from sale of bonds and notes payable		212,486	264,474
Repayment and refunding of bonds and notes payable		(369,312)	(330,472)
Loss on extinguishment of debt		—	(156)
Payment of interest on bonds and notes		(65,616)	(74,467)
Payment of arbitrage rebate, net		(55)	23
Payment for bond issuance costs		(1,167)	(1,440)
Receipt of grant income		86,128	86,704
Payment of grant to subrecipients		(86,128)	(86,704)
State general fund appropriation		—	750
Contributions to land title trust		12	11
Land title trust grant distributions		(2)	(90)
Net cash used in noncapital financing activities		(223,654)	(141,367)
Cash flows from capital financing activities:			
Purchases of capital assets		(364)	(46)
Proceeds from the sale of capital assets		15	15
Repayment of capital debt		(105)	(105)
Payment for interest on capital debt		(96)	(100)
Net cash used in capital financing activities		(550)	(236)
Cash flows from investing activities:			
Payments for operation and sale of foreclosed property		(24)	(327)
Purchase of investments		(39,044)	(17,133)
Proceeds from maturity and sale of investments		38,894	137,635
Gain – sale of securities		—	2,844
Investment interest income		3,917	5,188
Net cash used in investing activities		3,743	128,207
Net increase (decrease) in cash and cash equivalents		(113,762)	82,919
Cash and cash equivalents, beginning of year		285,257	202,338
Cash and cash equivalents, end of year	$	171,495	285,257
Current cash and cash equivalents	$	45,809	44,260
Noncurrent cash and cash equivalents		125,686	240,997
Cash and cash equivalents, end of year	$	171,495	285,257

(Continued)

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

Statements of Cash Flows

Years ended September 30, 2011 and 2010

(In thousands)

		2011	2010
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	26,408	30,482
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Net increase in the fair value of investments		(23,050)	(24,726)
Amortization of bond issuance costs		2,065	2,245
Amortization of deferred commitment fees		(1,981)	(2,240)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums		4,525	5,879
Gain on sale of assets		(628)	(5,581)
Depreciation and amortization expense		238	230
Provision of loan losses		632	573
Investment interest income		(5,260)	(5,829)
Interest on bonds and notes payable		59,561	66,607
Changes in assets and liabilities:			
Accrued interest receivable on securitized mortgage loans and mortgage loans		400	(107)
Other current assets		1,415	(3,270)
Other noncurrent assets		30	(137)
Accounts payable and other accrued expenses		(5,441)	6,543
Compensated absences		80	3
Other noncurrent liabilities		1	3
Securitized mortgage loans, net cost		11,749	33,716
Mortgage loans		26,055	(8,076)
Note receivable		9,900	—
Net cash provided by operating activities	$	106,699	96,315
Supplemental disclosure:			
Other real estate acquired through foreclosure	$	758	708

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 of 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 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, storm windows and doors, and energy efficiency training.

– *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 Solutions 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 and families.

– *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.

– *Neighborhood Stabilization Program (NSP)* – 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.

– *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 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 (IRC) 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's 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 consists primarily of Fannie Mae and Ginnie Mae 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 was paid 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, 2011 and 2010 were $6.0 million and $6.3 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 $75,000 and $76,000 as of September 30, 2011 and 2010, 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.

(p) Intangible Assets

Intangible assets represents: 1) Purchased servicing rights – the fees the Authority pays to acquire the servicing of loan portfolios. The purchased 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 IRC. 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.

(Continued)

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 represents 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 for 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 501(c)(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

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

	2011	2010
Cash on deposit at financial institution	$ 7,488	2,764
Cash on deposit at state treasurer	14,935	15,584
Cash equivalents not considered deposits:		
Money market accounts	17	14
Money market funds	97,141	196,252
Repurchase agreements	4,071	6,811
Guaranteed investment contracts	47,843	63,832
	$ 171,495	285,257

(a) 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 contracts for the purchase and sale of obligations of any municipality of New Mexico or the State of New Mexico or the United States of America; 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 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.

(b) 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, 2011 and 2010, the Authority's bank balance was $7,726,000 and $2,783,000, respectively. Of this amount at September 30, 2011 and 2010, $7,726,000 and $264,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2011 and 2010 are $0 and $2,519,000, respectively.

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, 2011 and 2010, the Authority had $992,000 and $1,919,000, respectively, of public funds on deposit that are insured by FDIC or fully collateralized by collateral held by the bank in the Authority's name.

(c) 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 that have been pooled and securitized by a servicer under contract to the Authority (note 1(h)). Upon securitization, these primarily Ginnie Mae and Fannie Mae 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, 2011 and 2010 (in thousands):

	September 30, 2011					
		Investment maturities (in years)				
Investment type	**Fair value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**	**Not available**
Money market funds	$ 97,141	97,141	—	—	—	—
Money market account	17	17	—	—	—	—
Repurchase agreements	4,071	4,071	—	—	—	—
Guaranteed investment contracts	47,843	44,882	355	—	2,606	—
Internal state investment pools:						
State Treasurer	14,935	14,935	—	—	—	—
State Investment Council	28,320	—	—	—	—	28,320
U.S. agencies	5,358	—	5,358	—	—	—
Securitized mortgage loans						
Unrestricted	5,283	—	—	—	5,283	
Restricted	1,121,263	—	—	92	1,121,171	
	$ 1,324,231	161,046	5,713	92	1,129,060	28,320

	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

The following table provides information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2011 and 2010 (in thousands):

	September 30, 2011							
Investment type		**Fair value**	**AAA**	**AA**	**A**	**U.S. government guaranteed**	**NR**	**Not available**
Money market funds	$	97,141	97,141	—	—	—	—	—
Money market account		17	—	—	—	—	17	—
Repurchase agreements		4,071	—	—	—	—	4,071	—
Guaranteed investment contracts		47,843	—	42,694	5,091	—	58	—
Internal state investment pools:								
State Treasurer		14,935	14,935	—	—	—	—	—
State Investment Council		28,320	—	—	—	—	—	28,320
U.S. agencies		5,358	—	5,358	—	—	—	—
Securitized mortgage loans								
Unrestricted		5,283	—	849	—	4,434	—	—
Restricted		1,121,263	—	307,225	—	814,038	—	—
	$	1,324,231	112,076	356,126	5,091	818,472	4,146	28,320

	September 30, 2010							
Investment type		**Fair value**	**AAA**	**AA**	**A**	**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

(d) 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, 2011 and 2010, respectively: Ginnie Mae 70% and 67%, and Fannie Mae 26% and 31%.

(3) Mortgage Loans

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

		2011	2010
Total mortgage loan principal outstanding	$	211,297	236,978
Less:			
Allowance for mortgage loan losses		(2,310)	(1,945)
Deferred origination and commitment fees		(1,806)	(1,888)
Mortgage loans, net	$	207,181	233,145

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

		2011	2010
Beginning balance	$	1,945	1,823
Provision for loan losses		632	573
Loans written off net of recoveries		(267)	(451)
Ending balance	$	2,310	1,945

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	2.30% to 7.02%
Other mortgage loans	0.00% to 12.12%
Second mortgage DPA loans	0.00% to 7.50%

MBSs have stated interest rates ranging from 3.5000% to 9.365%. At September 30, 2011 and 2010, deferred commitment fees of $9,223,000 and $9,440,000, respectively, have been netted with securitized mortgage loans, which are ultimately recorded at estimated fair value.

As of September 30, 2011 and 2010, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $82,000 and $56,000, respectively. As of September 30, 2011 and 2010, mortgage loans' total delinquent aggregate principal balances are approximately $6,465,000 and $5,449,000, respectively.

As of September 30, 2011, the mortgage loan receivable that provides cash flow for debt service of the Rental Housing 2006 Series A bond issue is in default. As a result, the required February 2011 and August 2011 debt service payments for this bond did not occur. The loan owner and bondholder are conducting settlement negotiations to resolve the default. However, as of January 6, 2012, a final resolution has not been reached. The mortgage loan receivable and the bonds payable continue to be recorded at the stated book values that existed prior to the default. Interest income has not been accrued on the mortgage loan since July 2010. In management's opinion, the net effect of any settlement would not be material to these financial statements.

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

		2011	2010
Neighborhood Housing Services of Albuquerque	$	575	745
State of New Mexico Severance Tax Permanent Fund		36	80
Isleta Pueblo		1,563	1,625
AFL-CIO		3,024	3,054
Fannie Mae Loans		18,684	18,667
Habitat for Humanity/Valencia County		41	44
Ginnie Mae Loans		1,270	1,593
Southwest Community Resources		31	32
	$	25,224	25,840

(4) Capital Assets

Changes in capital assets during 2011 and 2010 were as follows (in thousands):

	October 1, 2010	Additions	Dispositions	September 30, 2011
Land (nondepreciable)	$ 512	—	—	512
Building and improvements	3,041	—	—	3,041
Furniture and equipment	1,483	364	(61)	1,786
Total capital assets	5,036	364	(61)	5,339
Less accumulated depreciation:				
Building and improvements	(2,207)	(103)	—	(2,310)
Furniture and equipment	(1,335)	(84)	61	(1,358)
Total accumulated depreciation	(3,542)	(187)	61	(3,668)
Capital assets, net	$ 1,494	177	—	1,671

	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

(5) Bonds Payable

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

Single Family Mortgage Programs		2011	2010
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	$	375	490
1994 Series B – 6.75% interest payable semiannually, principal due through 2025		—	445
1994 Series C – 6.50% interest payable semiannually, principal due through 2025		—	560
1994 Series D – 6.80% interest payable semiannually, principal due through 2026		540	630
1994 Series E – 6.95% interest payable semiannually, principal due through 2026		—	730
2000 Series E – 5.40% to 6.55% interest payable semiannually, principal due 2032		3,450	4,055
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018		61	77
2001 Series A – 4.80% to 5.85% interest payable semiannually, principal due through 2032		3,640	4,775
2001 Series B – 5.00% to 6.20% interest payable semiannually, principal due through 2033		3,850	4,725
2001 Series C – 5.00% to 6.25% interest payable semiannually, principal due through 2033		3,580	3,970
2001 Series D – 4.25% to 5.75% interest payable semiannually, principal due through 2033		4,565	5,260
2002 Series A – 4.75% to 6.45% interest payable semiannually, principal due through 2033		3,745	4,180
2002 Series B – 4.40% to 6.35% interest payable semiannually, principal due through 2033		4,345	5,225
2002 Series C – 4.70% to 5.82% interest payable semiannually, principal due through 2034		4,425	5,425
2002 Series D – 4.15% to 5.64% interest payable semiannually, principal due through 2034		5,430	6,115
2002 Series E – 4.15% to 5.43% interest payable semiannually, principal due through 2034		4,795	5,995
2002 Series F – 4.10% to 5.53% interest payable semiannually, principal due through 2034		5,460	6,465
2003 Series A – 4.00% to 5.25% interest payable semiannually, principal due through 2034		6,005	7,330
2003 Series B – 3.85% to 5.45% interest payable semiannually, principal due through 2034		6,965	7,815
2003 Series C – 3.25% to 4.70% interest payable semiannually, principal due through 2034		10,015	10,895

Single Family Mortgage Programs		2011	2010
2003 Series D – 4.45% to 6.125% interest payable semiannually, principal due through 2034	$	5,800	7,930
2003 Series E – 4.10% to 5.89% interest payable semiannually, principal due through 2034		8,405	10,295
2004 Series A – 3.375% to 5.29% interest payable semiannually, principal due through 2034		9,385	10,545
2004 Series B – 3.80% to 4.75% interest payable semiannually, principal due through 2035		10,080	11,625
2004 Series C – 4.40% to 5.65% interest payable semiannually, principal due through 2035		10,410	11,990
2004 Series D – 4.65% to 6.15% interest payable semiannually, principal due through 2035		10,310	12,715
2004 Series E – 4.25% to 5.50% interest payable semiannually, principal due through 2035		11,285	13,445
2005 Series A – 3.70% to 5.50% interest payable semiannually, principal due through 2036		13,725	15,215
2005 Series B – 4.25% to 6.10% interest payable semiannually, principal due through 2036		13,185	15,105
2005 Series C – 3.875% to 5.85% interest payable semiannually, principal due through 2037		12,230	14,040
2005 Series D – 4.05% to 5.85% interest payable semiannually, principal due through 2037		18,535	21,705
2006 Series A – 4.00% to 5.95% interest payable semiannually, principal due through 2037		27,465	31,395
2006 Series B – 4.00% to 5.90% interest payable semiannually, principal due through 2037		21,580	25,145
2006 Series C – 4.00% to 6.15% interest payable semiannually, principal due through 2037		28,625	34,890
2006 Series D – 4.20% to 6.00% interest payable semiannually, principal due through 2037		26,395	31,335
2006 Series E – 4.25% to 6.05% interest payable semiannually, principal due through 2038		24,940	31,575
2006 Series F – 4.10% to 6.15% interest payable semiannually, principal due through 2038		38,630	47,195
2007 Series A – 4.15% to 5.75% interest payable semiannually, principal due through 2038		31,600	38,680
2007 Series B – 3.70% to 6.00% interest payable semiannually, principal due through 2039		54,385	69,135
2007 Series C – 4.875% to 5.92% interest payable semiannually, principal due through 2039		34,680	43,055
2007 Series D – 5.00% to 6.27% interest payable semiannually, principal due through 2039		41,125	52,720
2007 Series E – 4.90% to 6.35% interest payable semiannually, principal due through 2039		39,620	49,025

Single Family Mortgage Programs		2011	2010
2008 Series A – 3.75% to 5.60% interest payable semiannually, principal due through 2039	$	36,315	45,385
2008 Series B – 4.40% to 6.375% interest payable semiannually, principal due through 2039		23,465	29,095
2008 Series C – 4.45% to 6.95% interest payable semiannually, principal due through 2039		30,045	39,860
2008 Series D – 3.15% to 5.50% interest payable semiannually, principal due through 2039		48,420	56,075
2009 Series A – 2.50% to 6.00% interest payable semiannually, principal due through 2039		20,255	22,240
2009 Series B – 2.05% to 5.65% interest payable semiannually, principal due through 2039		43,720	48,155
2009 Series C – 2.15% to 5.70% interest payable semiannually, principal due through 2040		53,635	59,415
2009 Series D – 1.65% to 5.35% interest payable semiannually, principal due through 2040		46,700	49,615
2009 Series E – 1.65% to 5.30% interest payable semiannually, principal due through 2040		45,540	49,840
2009 Series Bonds – variable interest rate, due upon maturity, principal due 2012		27,200	155,000
2010 Series A – 3.01% to 4.625% interest payable semiannually, principal due through 2040.		67,325	—
2011 Series A – 3.55% to 5.35% interest payable semiannually, principal due through 2041		69,930	—
2011 Series B – 0.61% to 5.00% interest payable semiannually, principal due through 2028		40,000	—
Subtotal		1,116,191	1,238,602
Unaccreted premium, net of underwriters’ discount		21,321	21,738
Subtotal Single Family Mortgage Programs, net bonds payable	$	1,137,512	1,260,340

Rental Housing Mortgage Programs		**2011**	**2010**
1987 Series A&B – 7.25% interest payable semiannually, principal due 2011	$	—	9,900
1997 Multi Family Housing Revenue – Rio Volcan II – 5.25% to 5.65% interest payable monthly principal due through 2018		—	3,450
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		7,725	7,945
2001 Multi Family Housing Refunding Revenue:			
Series A – 5.00% interest payable semiannually, principal due through 2031		—	2,755
Series B – 5.00% interest payable semiannually, principal due through 2031		—	7,565
Series C – 5.00% interest payable semiannually, principal due through 2031		—	5,910
Series D – 5.00% interest payable semiannually, principal due through 2031		—	2,785
2001 Series E&F Multi Family Housing Revenue – Manzano Mesa – 5.55% to 7.05% interest payable semiannually, principal due through 2034		9,165	9,310
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038		9,235	9,370
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038		8,745	8,885
2004 Series A&B Multi Family Risk Sharing – NM5 – 4.625% to 5.20% interest payable semiannually, principal due through 2039		8,830	9,085
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039		11,815	11,970
2004 Series E Multi Family Housing Revenue – Lafayette – 6.50% interest payable monthly, principal due through 2037		7,154	7,237
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040		10,575	10,720
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 5.68% interest payable semiannually, principal due through 2040		11,320	11,475
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.70% interest payable semiannually,			

Rental Housing Mortgage Programs		**2011**	**2010**
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040	$	12,485	12,660
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 5.25% interest payable semiannually, principal due through 2042		5,745	5,810
2007 C & D Multi-Family Risk Sharing – NM Rainbow 7 – 5.85% to 10.00% interest payable semiannually, principal due through 2043		13,747	13,867
2008 A & B Multi-Family Risk Sharing – Villas de San Ignacio variable interest rate * 0.16% to 0.80% at September 30, 2011 payable monthly, principal due through 2043		8,520	8,900
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		3,705	5,100
Subtotal		141,936	180,667
Unaccreted premium		238	272
Subtotal Rental Housing Mortgage Programs, net bonds payable	$	142,174	180,939

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

Capital debt		**2011**	**2010**
2005 General Revenue Office Building Refunding Bonds – 3.750% to 4.375% interest payable semiannually, principal due through 2026	$	2,230	2,335
Unamortized discount		(103)	(115)
Subtotal net capital bonds payable	$	2,127	2,220
Total bonds payable	$	1,260,357	1,421,604
Total unaccreted premium, net of unamortized discount		21,456	21,895
Total bonds payable, net	$	1,281,813	1,443,499

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 2011 and 2010 were pooled and packaged as mortgage loan pass-through certificates insured by Ginnie Mae or Fannie Mae.

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 roll outs being initiated by December 31, 2011.

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

The Authority rolled out three issues under the NIBP Program during FY 2011 as follows:

- 2009/2010 Series A: issued $42 million of NIBP Program bonds and $28 million of market bonds for a total issuance of $70 million.
- 2009/2011 Series A: issued $38.5 million of NIBP Program bonds and $31.5 million of market bonds for a total issuance of $70 million.
- 2009/2011 Series B: issued $24 million of NIBP Program bonds and $16 million of market bonds for a total issuance of $40 million.

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 $50,000 at September 30, 2011 and $18,560,000 at September 30, 2010, 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, 2011 and 2010 consist of the following (in thousands):

	2011	2010
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	650

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

(7) Debt Service Requirements

A summary of bond and note debt service requirements as of September 30, 2011 follows (in thousands):

	Bonds payable		Notes payable	
	Interest	Principal	Interest	Principal
Year(s) ending September 30:				
2012	$ 61,701	22,625	13	—
2013	61,092	21,767	13	—
2014	59,486	22,794	13	—
2015	59,055	23,771	13	—
2016	57,914	25,013	14	650
2017 – 2021	268,392	145,024	—	—
2022 – 2026	225,920	210,945	—	—
2027 – 2031	161,007	282,808	—	—
2032 – 2036	88,160	300,693	—	—
2037 – 2041	19,184	191,249	—	—
2042 – 2046	629	13,633		
2047 – 2051	1	35	—	—
	1,062,541	1,260,357	66	650
Net unaccreted premium	—	21,456	—	—
	$ 1,062,541	1,281,813	66	650

(8) Accounts Payable and Accrued Expenses

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

		2011	2010
Vendor	$	5,111	10,216
Employee benefits		296	329
Deferred revenue		1,253	1,556
	$	6,660	12,101

(9) Noncurrent Liabilities and Compensated Absences

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2011 and 2010 follows (in thousands):

		October 1, 2010	Increases	Decreases	September 30, 2011	Current portion
Bonds payable, net	$	1,443,499	184,062	(345,748)	1,281,813	22,625
Note payable		650	20,424	(20,424)	650	—
Accrued arbitrage rebate		970	31	(258)	743	—
Other noncurrent liabilities		217	1	—	218	—
Compensated absences		222	311	(231)	302	302
	$	1,445,558	204,829	(366,661)	1,283,726	22,927

		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

(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 $623,000 and $244,000, respectively, for the year ended September 30, 2011. 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 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, 2011 and 2010 (in thousands):

		2011	2010
Single Family and Multi-Family Programs as designated by the board	$	12,361	8,528
Future general operating budget, year-end September 30, 2011		9,166	12,652
Housing Opportunity Fund		77,030	77,030
Risk-sharing loss exposure		12,411	12,606
Federal and state housing programs administered by the Authority		6,066	5,385
Total board-designated net assets	$	117,034	116,201

(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, 2011 and 2010, the Authority is committed to assume a risk of approximately $12,415,000 and $12,610,000 for 43 and 42 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, 2011. As of September 30, 2011 and 2010, the Authority is committed to assume a risk of approximately $123,000 and $124,000 for the one loan closed, respectively.

(Continued)

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 that 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, 2011, management has determined that it is probable that the Authority has incurred a contingent liability for the balance of the loans of $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, 2011.

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 Authority can guarantee up to 50% of a loan to an eligible entity to build or rehabilitate affordable housing. As of September 30, 2011 and 2010, 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 nine joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2011, these JPAs and MOUs were as follows:

(a) 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 terminated 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.

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

(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 for 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 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.

(e) 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 terminated June 30, 2011. The maximum amount to be reimbursed under the JPA is $136,000, 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.

(f) 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 terminated 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.

(g) The Authority entered into a JPA with DFA in February 2010, which was amended in June 2011. 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 terminated June 30, 2011. The maximum amount to be reimbursed under the JPA is $96,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA. The full amount appropriated to this project is appropriated to the Authority through DFA subject to reversion on June 30, 2011 to DFA for reversion to the State General Fund.

(h) 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 terminated June 30, 2011. The maximum amount to be reimbursed under the JPA is $30,000, all of which is applicable to the Authority. No responsibility for the audit of the funds is specified under this JPA.

(i) 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 terminated January 15, 2011. The maximum amount to be reimbursed under the JPA is $20,000, 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 JPAs (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 JPAs (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
Youth Shelters and Family Services	$ 200	02/24/10 – 6/30/11	$ 200	—	—
	$ 200		$ 200	—	—

(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. During fiscal years 2011 and 2010 subsequent to her appointment, the Authority awarded $1,392,000 and $75,000, respectively, in grants and loans to Santa Fe Community Housing Trust. During fiscal years 2011 and 2010, the Authority also disbursed $3,152,000 and $2,017,000, respectively, in grants to Santa Fe Community Housing Trust and The Village Sage, LLC.

(18) Subsequent Events

On October 11, 2011, the Authority issued $46,537,000 of Single Family Mortgage Program 2009 GSE Series D and 2011 Series C Bonds. This bond issue is the last rollout of the 2009 Series Bonds issued under the GSE Escrow Bond Purchase Program. The bond issue includes $27.2 million of NIBP bonds and $18.2 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 $1,137,000 to fund assistance to borrowers in this bond issue.

On October 20, 2011, the Authority called all bonds outstanding in the 1994 Series D bond issue. The remaining residuals of the bond issue were transferred to the General Fund of the Authority.

On October 21, 2011, the Authority sold the MBSs and called all bonds outstanding from nine single family bond issues: 2000 Series E, 2001 Series A, 2001 Series B, 2001 Series C, 2001 Series D, 2002 Series A, 2002 Series B, 2002 Series C and 2002 Series D. The remaining residuals of the bond issues were transferred to the 2005 Master Indenture Surplus Fund.

(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 single family programs' 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. The deficits in rental housing programs' net assets restricted for debt service are primarily attributable to the 2006 Series A bond issue that is in default; see note 3.

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

Notes to Financial Statements

September 30, 2011

(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**
Current assets:								
Restricted cash and cash equivalents	$	—	—	—	—	—	—	—
Restricted investments, net		—	—	—	—	—	—	—
Accrued interest receivable		4	—	—	3	—	—	—
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—	—
Total current assets		4	—	—	3	—	—	—
Noncurrent assets:								
Restricted cash and cash equivalents		31	—	—	89	—	—	—
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		628	—	—	462	—	—	—
Unrealized gain (loss) on securitized mortgage loans		95	—	—	66	—	—	—
Total restricted securitized mortgage loans, net		723	—	—	528	—	—	—
Restricted mortgage loans, net		—	—	—	—	—	—	—
Bond issuance costs, net		3	—	—	5	—	—	—
Total noncurrent assets		757	—	—	622	—	—	—
Total assets	$	761	—	—	625	—	—	—
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	6	—	—	9	—	—	—
Accounts payable and other accrued expenses		—	—	—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—	—
Total current liabilities		6	—	—	9	—	—	—
Noncurrent liabilities:								
Bonds payable, net		375	—	—	540	—	—	—
Accrued arbitrage rebate		—	—	—	—	—		
Total noncurrent liabilities		375	—	—	540	—	—	—
Total liabilities		381	—	—	549	—	—	—
Net assets restricted for debt service		380	—	—	76	—	—	—
Total liabilities and net assets	$	761	—	—	625	—	—	—

(Continued)

(In thousands)

Balance Sheets

Assets	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**	**2001 Series D**
	Single Family Mortgage Programs					
Current assets:						
Restricted cash and cash equivalents	$ 85	—	45	41	100	100
Restricted investments, net	—	—	—	—	—	—
Accrued interest receivable	21	—	21	21	20	23
Other current assets	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—
Total current assets	106	—	66	62	120	123
Noncurrent assets:						
Restricted cash and cash equivalents	24	153	—	—	14	93
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost	3,865	—	4,328	4,228	3,891	4,870
Unrealized gain (loss) on securitized mortgage loans	503	—	437	432	417	481
Total restricted securitized mortgage loans, net	4,368	—	4,765	4,660	4,308	5,351
Restricted mortgage loans, net	—	74	—	—	—	—
Bond issuance costs, net	23	34	27	29	27	37
Total noncurrent assets	4,415	261	4,792	4,689	4,349	5,481
Total assets	$ 4,521	261	4,858	4,751	4,469	5,604
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 18	—	17	19	17	21
Accounts payable and other accrued expenses	—	1	—	—	—	—
Current portion of bonds payable	85	—	85	100	100	100
Total current liabilities	103	1	102	119	117	121
Noncurrent liabilities:						
Bonds payable, net	3,419	61	3,630	3,830	3,537	4,543
Accrued arbitrage rebate	15	—	—	—	—	—
Total noncurrent liabilities	3,434	61	3,630	3,830	3,537	4,543
Total liabilities	3,537	62	3,732	3,949	3,654	4,664
Net assets restricted for debt service	984	199	1,126	802	815	940
Total liabilities and net assets	$ 4,521	261	4,858	4,751	4,469	5,604

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

Notes to Financial Statements

September 30, 2011

(In thousands)

Balance Sheets	Single Family Mortgage Programs						
Assets	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**	**2002 Series E**	**2002 Series F**	**2003 Series A**
Current assets:							
Restricted cash and cash equivalents	$ 90	44	48	140	39	145	135
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	20	23	22	25	23	26	27
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	(1)	(1)
Total current assets	110	67	70	165	62	170	161
Noncurrent assets:							
Restricted cash and cash equivalents	136	—	—	54	—	82	135
Restricted investments and reserve funds, net	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	4,047	4,644	4,604	5,454	5,125	5,703	6,170
Unrealized gain (loss) on securitized mortgage loans	433	493	499	543	512	551	523
Total restricted securitized mortgage loans, net	4,480	5,137	5,103	5,997	5,637	6,254	6,693
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	30	35	36	45	40	47	52
Total noncurrent assets	4,646	5,172	5,139	6,096	5,677	6,383	6,880
Total assets	$ 4,756	5,239	5,209	6,261	5,739	6,553	7,041
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 19	21	21	24	21	24	25
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	90	90	90	140	120	145	135
Total current liabilities	109	111	111	164	141	169	160
Noncurrent liabilities:							
Bonds payable, net	3,717	4,329	4,400	5,366	4,746	5,434	6,001
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	3,717	4,329	4,400	5,366	4,746	5,434	6,001
Total liabilities	3,826	4,440	4,511	5,530	4,887	5,603	6,161
Net assets restricted for debt service	930	799	698	731	852	950	880
Total liabilities and net assets	$ 4,756	5,239	5,209	6,261	5,739	6,553	7,041

(Continued)

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

Notes to Financial Statements

September 30, 2011

(In thousands)

Balance Sheets		Single Family Mortgage Programs						
Assets		**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	$	160	215	130	170	225	240	210
Restricted investments, net		—	—	—	—	—	—	—
Accrued interest receivable		29	38	26	35	41	45	50
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		(1)	(2)	(1)	(1)	(6)	(6)	(7)
Total current assets		188	251	155	204	260	279	253
Noncurrent assets:								
Restricted cash and cash equivalents		430	309	389	800	1,092	707	1,025
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		6,803	9,909	5,509	7,898	8,690	9,860	9,789
Unrealized gain (loss) on securitized mortgage loans		586	797	537	678	733	739	862
Total restricted securitized mortgage loans, net		7,389	10,706	6,046	8,576	9,423	10,599	10,651
Restricted mortgage loans, net		—	—	—	—	—	—	—
Bond issuance costs, net		61	87	48	69	80	71	76
Total noncurrent assets		7,880	11,102	6,483	9,445	10,595	11,377	11,752
Total assets	$	8,068	11,353	6,638	9,649	10,855	11,656	12,005
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	30	37	27	37	115	117	141
Accounts payable and other accrued expenses		—	—	—	—	—	—	—
Current portion of bonds payable		160	215	130	170	225	240	210
Total current liabilities		190	252	157	207	340	357	351
Noncurrent liabilities:								
Bonds payable, net		6,965	10,009	5,798	8,431	9,379	10,089	10,471
Accrued arbitrage rebate		—	—	—	—	—	—	—
Total noncurrent liabilities		6,965	10,009	5,798	8,431	9,379	10,089	10,471
Total liabilities		7,155	10,261	5,955	8,638	9,719	10,446	10,822
Net assets restricted for debt service		913	1,092	683	1,011	1,136	1,210	1,183
Total liabilities and net assets	$	8,068	11,353	6,638	9,649	10,855	11,656	12,005

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

Notes to Financial Statements

September 30, 2011

(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	$	200	240	255	255	235	11,485
Restricted investments, net		—	—	—	—	—	—
Accrued interest receivable		54	47	59	58	59	3,436
Other current assets		—	—	—	—	—	—
Intra-entity receivable (payable)		(5)	(9)	(9)	—	(7)	(299)
Total current assets		249	278	305	313	287	14,622
Noncurrent assets:							
Restricted cash and cash equivalents		937	920	845	1,537	869	60,878
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		9,740	10,620	13,249	12,105	11,962	700,557
Unrealized gain (loss) on securitized mortgage loans		922	889	1,099	1,071	867	63,203
Total restricted securitized mortgage loans, net		10,662	11,509	14,348	13,176	12,829	763,760
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		73	84	103	98	97	6,112
Total noncurrent assets		11,672	12,513	15,296	14,811	13,795	830,750
Total assets	$	11,921	12,791	15,601	15,124	14,082	845,372
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	143	144	173	176	159	7,822
Accounts payable and other accrued expenses		—	—	—	—	—	15
Current portion of bonds payable		200	240	255	255	235	11,485
Total current liabilities		343	384	428	431	394	19,322
Noncurrent liabilities:							
Bonds payable, net		10,337	11,332	13,794	13,200	12,391	737,830
Accrued arbitrage rebate		—	—	—	—	—	727
Total noncurrent liabilities		10,337	11,332	13,794	13,200	12,391	738,557
Total liabilities		10,680	11,716	14,222	13,631	12,785	757,879
Net assets restricted for debt service		1,241	1,075	1,379	1,493	1,297	87,493
Total liabilities and net assets	$	11,921	12,791	15,601	15,124	14,082	845,372

(Continued)

(In thousands)

Balance Sheets

		Single Family Mortgage Programs	
Assets		**2009 General Indenture**	**Total Single Family Mortgage Programs**
Current assets:			
Restricted cash and cash equivalents	$	2,275	17,307
Restricted investments, net		—	—
Accrued interest receivable		562	4,818
Other current assets		—	—
Intra-entity receivable (payable)		(26)	(381)
Total current assets		2,811	21,744
Noncurrent assets:			
Restricted cash and cash equivalents		51,380	122,929
Restricted investments and reserve funds, net		—	—
Restricted securitized mortgage loans, net:			
Securitized mortgage loans, net cost		156,281	1,030,991
Unrealized gain (loss) on securitized mortgage loans		11,304	90,272
Total restricted securitized mortgage loans, net		167,585	1,121,263
Restricted mortgage loans, net		—	74
Bond issuance costs, net		1,134	8,663
Total noncurrent assets		220,099	1,252,929
Total assets	$	222,910	1,274,673
Liabilities and Net Assets			
Current liabilities:			
Accrued interest payable	$	605	9,988
Accounts payable and other accrued expenses		12	28
Current portion of bonds payable		2,275	17,575
Total current liabilities		2,892	27,591
Noncurrent liabilities:			
Bonds payable, net		205,983	1,119,937
Accrued arbitrage rebate		—	742
Total noncurrent liabilities		205,983	1,120,679
Total liabilities		208,875	1,148,270
Net assets restricted for debt service		14,035	126,403
Total liabilities and net assets	$	222,910	1,274,673

(Continued)

(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**
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	45	2	8	37	23	—	—
Interest on securities and temporary investments		—	—	—	2	—	1	2
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		7	(52)	(67)	(13)	(106)	—	—
Loan and commitment fees		—	—	—	—	—	—	—
Administrative fees and other		(1)	—	—	(1)	—	—	—
Total operating revenues		51	(50)	(59)	25	(83)	1	2
Operating expenses:								
Interest		29	2	9	41	24	—	—
Amortization of bond issuance costs		1	5	5	1	7	—	—
Administrative fees and other		—	6	6	—	6	1	2
Total operating expenses		30	13	20	42	37	1	2
Operating income (loss)		21	(63)	(79)	(17)	(120)	—	—
Other financing sources (uses) – operating transfers		—	(139)	(161)	—	(176)	(9)	(13)
Change in net assets		21	(202)	(240)	(17)	(296)	(9)	(13)
Total net assets – beginning		359	202	240	93	296	9	13
Total net assets – ending	$	380	—	—	76	—	—	—
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	96	261	372	199	673	(10)	(15)
Noncapital financing activities		(146)	(456)	(579)	(132)	(766)	—	(3)
Investing activities		—	—	—	2	—	—	—
Net increase (decrease)		(50)	(195)	(207)	69	(93)	(10)	(18)
Cash and cash equivalents, beginning of year		81	195	207	20	93	10	18
Cash and cash equivalents, end of year	$	31	—	—	89	—	—	—

(Continued)

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

Notes to Financial Statements

September 30, 2011

(In thousands)

				Single Family Mortgage Programs			
Statements of Revenues, Expenses, and Changes in Net Assets		**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**	**2001 Series D**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	256	4	234	243	232	268
Interest on securities and temporary investments		17	—	27	27	12	17
Gain (loss) asset sale/debt extinguishment		—	(4)	—	—	—	—
Net increase (decrease) in fair value of investments		20	—	25	(7)	22	73
Loan and commitment fees		6	—	11	9	5	9
Administrative fees and other		(14)	—	(14)	(14)	(13)	(6)
Total operating revenues		285	—	283	258	258	361
Operating expenses:							
Interest		224	4	219	240	208	257
Amortization of bond issuance costs		6	10	10	9	5	8
Administrative fees and other		2	4	2	2	2	1
Total operating expenses		232	18	231	251	215	266
Operating income (loss)		53	(18)	52	7	43	95
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		53	(18)	52	7	43	95
Total net assets – beginning		931	217	1,074	795	772	845
Total net assets – ending	$	984	199	1,126	802	815	940
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$	667	21	1,087	965	515	854
Noncapital financing activities		(846)	(63)	(1,388)	(1,143)	(612)	(973)
Investing activities		18	(3)	28	27	12	18
Net increase (decrease)		(161)	(45)	(273)	(151)	(85)	(101)
Cash and cash equivalents, beginning of year		270	198	318	192	199	294
Cash and cash equivalents, end of year	$	109	153	45	41	114	193

(Continued)

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs 2002 Series A	2002 Series B	2002 Series C	2002 Series D	2002 Series E	2002 Series F	2003 Series A
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 246	263	258	302	264	305	308
Interest on securities and temporary investments	11	18	20	—	21	19	25
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	21	40	48	83	96	92	88
Loan and commitment fees	6	10	10	8	13	12	16
Administrative fees and other	(9)	(13)	(12)	(12)	(11)	(12)	(19)
Total operating revenues	275	318	324	381	383	416	418
Operating expenses:							
Interest	225	258	257	300	262	295	310
Amortization of bond issuance costs	6	10	11	9	13	11	15
Administrative fees and other	1	—	—	1	1	1	1
Total operating expenses	232	268	268	310	276	307	326
Operating income (loss)	43	50	56	71	107	109	92
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net assets	43	50	56	71	107	109	92
Total net assets – beginning	887	749	642	660	745	841	788
Total net assets – ending	$ 930	799	698	731	852	950	880
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 811	991	847	929	831	1,079	1,368
Noncapital financing activities	(676)	(1,163)	(1,281)	(1,004)	(1,490)	(1,333)	(1,676)
Investing activities	11	18	21	—	22	20	25
Net increase (decrease)	146	(154)	(413)	(75)	(637)	(234)	(283)
Cash and cash equivalents, beginning of year	80	198	461	269	676	461	553
Cash and cash equivalents, end of year	$ 226	44	48	194	39	227	270

(Continued)

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

Notes to Financial Statements

September 30, 2011

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets	Single Family Mortgage Programs 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	$ 336	430	294	428	449	497	574
Interest on securities and temporary investments	1	1	1	1	20	28	32
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	135	250	15	68	155	163	84
Loan and commitment fees	12	14	21	23	15	16	16
Administrative fees and other	(11)	(29)	(10)	(11)	(26)	(26)	(30)
Total operating revenues	473	666	321	509	613	678	676
Operating expenses:							
Interest	352	420	345	457	426	471	576
Amortization of bond issuance costs	12	13	21	20	14	15	15
Administrative fees and other	1	—	—	—	—	1	1
Total operating expenses	365	433	366	477	440	487	592
Operating income (loss)	108	233	(45)	32	173	191	84
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net assets	108	233	(45)	32	173	191	84
Total net assets – beginning	805	859	728	979	963	1,019	1,099
Total net assets – ending	$ 913	1,092	683	1,011	1,136	1,210	1,183
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 1,192	1,236	2,105	2,759	2,214	1,943	2,710
Noncapital financing activities	(1,237)	(1,356)	(2,540)	(2,410)	(1,663)	(2,060)	(2,209)
Investing activities	1	1	1	1	20	29	30
Net increase (decrease)	(44)	(119)	(434)	350	571	(88)	531
Cash and cash equivalents, beginning of year	634	643	953	620	746	1,035	704
Cash and cash equivalents, end of year	$ 590	524	519	970	1,317	947	1,235

(Continued)

(In thousands)

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2004 Series D**	**2004 Series E**	**2005 Series A**	**2005 Series B**	**2005 Series C**	**2005 General Indenture**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	535	570	680	643	616	37,801
Interest on securities and temporary investments		55	1	—	39	32	2,893
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		113	103	284	168	226	9,496
Loan and commitment fees		19	20	15	18	17	1,482
Administrative fees and other		(24)	(38)	(36)	(1)	(29)	(1,520)
Total operating revenues		698	656	943	867	862	50,152
Operating expenses:							
Interest		570	579	657	675	572	38,324
Amortization of bond issuance costs		22	21	17	21	20	1,403
Administrative fees and other		1	—	1	1	1	88
Total operating expenses		593	600	675	697	593	39,815
Operating income (loss)		105	56	268	170	269	10,337
Other financing sources (uses) – operating transfers		—	—	—	—	—	45
Change in net assets		105	56	268	170	269	10,382
Total net assets – beginning		1,136	1,019	1,111	1,323	1,028	77,111
Total net assets – ending	$	1,241	1,075	1,379	1,493	1,297	87,493
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$	2,780	2,963	2,395	3,655	2,235	173,083
Noncapital financing activities		(3,074)	(2,823)	(2,241)	(2,719)	(2,511)	(183,143)
Investing activities		55	1	—	40	34	2,927
Net increase (decrease)		(239)	141	154	976	(242)	(7,133)
Cash and cash equivalents, beginning of year		1,376	1,019	946	816	1,346	79,496
Cash and cash equivalents, end of year	$	1,137	1,160	1,100	1,792	1,104	72,363

(Continued)

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

Notes to Financial Statements

September 30, 2011

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs: 2009 General Indenture	Single Family Mortgage Programs: Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	3,508	50,659
Interest on securities and temporary investments		116	3,439
Gain (loss) asset sale/debt extinguishment		—	(4)
Net increase (decrease) in fair value of investments		11,304	22,934
Loan and commitment fees		77	1,880
Administrative fees and other		(160)	(2,102)
Total operating revenues		14,845	76,806
Operating expenses:			
Interest		3,090	50,678
Amortization of bond issuance costs		263	2,019
Administrative fees and other		42	176
Total operating expenses		3,395	52,873
Operating income (loss)		11,450	23,933
Other financing sources (uses) – operating transfers		2,330	1,877
Change in net assets		13,780	25,810
Total net assets – beginning		255	100,593
Total net assets – ending	$	14,035	126,403
Condensed Statements of Cash Flows			
Net cash provided by (used in):			
Operating activities	$	(151,105)	62,706
Noncapital financing activities		49,480	(176,236)
Investing activities		116	3,475
Net increase (decrease)		(101,509)	(110,055)
Cash and cash equivalents, beginning of year		155,164	250,291
Cash and cash equivalents, end of year	$	53,655	140,236

(Continued)

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

Notes to Financial Statements

September 30, 2011

(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**
Current assets:								
Restricted cash and cash equivalents	$	—	—	173	—	155	145	145
Accrued interest receivable		—	—	—	—	—	48	38
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	(3)	—	(5)	—	—
Total current assets		—	—	170	—	150	193	183
Noncurrent assets:								
Restricted cash and cash equivalents		—	—	—	1	157	433	251
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		—	—	7,667	—	9,102	8,719	8,315
Bond issuance costs, net		—	—	—	—	—	147	65
Total noncurrent assets		—	—	7,667	1	9,259	9,299	8,631
Total assets	$	—	—	7,837	1	9,409	9,492	8,814
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	—	—	102	—	189	135	38
Accounts payable and other accrued expenses		—	—	1	1	19	—	—
Current portion of bonds payable		—	—	235	—	155	145	145
Total current liabilities		—	—	338	1	363	280	183
Noncurrent liabilities:								
Bonds payable, net		—	—	7,490	—	9,010	9,247	8,600
Accrued arbitrage rebate		—	—	1	—	—	—	—
Total noncurrent liabilities		—	—	7,491	—	9,010	9,247	8,600
Total liabilities		—	—	7,829	1	9,373	9,527	8,783
Net assets restricted for debt service		—	—	8	—	36	(35)	31
Total liabilities and net assets	$	—	—	7,837	1	9,409	9,492	8,814

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

Notes to Financial Statements

September 30, 2011

(In thousands)

Balance Sheets	Rental Housing Mortgage Programs						
Assets	**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**
Current assets:							
Restricted cash and cash equivalents	$ 265	165	72	150	165	60	185
Accrued interest receivable	38	53	40	46	49	15	51
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	(1)	—	—	—	—
Total current assets	303	218	111	196	214	75	236
Noncurrent assets:							
Restricted cash and cash equivalents	272	358	—	330	412	118	321
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	8,347	11,186	7,100	10,049	10,741	3,732	11,857
Bond issuance costs, net	179	68	—	41	92	—	155
Total noncurrent assets	8,798	11,612	7,100	10,420	11,245	3,850	12,333
Total assets	$ 9,101	11,830	7,211	10,616	11,459	3,925	12,569
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 37	53	39	46	47	15	51
Accounts payable and other accrued expenses	—	—	1	—	—	3	—
Current portion of bonds payable	265	165	89	150	165	60	185
Total current liabilities	302	218	129	196	212	78	236
Noncurrent liabilities:							
Bonds payable, net	8,565	11,650	7,065	10,425	11,155	3,899	12,349
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	8,565	11,650	7,065	10,425	11,155	3,899	12,349
Total liabilities	8,867	11,868	7,194	10,621	11,367	3,977	12,585
Net assets restricted for debt service	234	(38)	17	(5)	92	(52)	(16)
Total liabilities and net assets	$ 9,101	11,830	7,211	10,616	11,459	3,925	12,569

(Continued)

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

Notes to Financial Statements

September 30, 2011

(In thousands)

Balance Sheets		**Rental Housing Mortgage Programs**						
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**
Current assets:								
Restricted cash and cash equivalents	$	40	70	—	—	—	91	1,881
Accrued interest receivable		—	25	157	1	—	10	571
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	(7)	—	—	—	(16)
Total current assets		40	95	150	1	—	101	2,436
Noncurrent assets:								
Restricted cash and cash equivalents		—	214	—	—	—	—	2,867
Note receivable		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								—
Securitized mortgage loans, net cost		—	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans		—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net		—	—	—	—	—	—	—
Restricted mortgage loans, net		9,179	5,437	13,663	8,520	—	3,551	137,165
Bond issuance costs, net			—	—	—	—	—	747
Total noncurrent assets		9,179	5,651	13,663	8,520	—	3,551	140,779
Total assets	$	9,219	5,746	13,813	8,521	—	3,652	143,215
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	503	25	157	1	—	8	1,446
Accounts payable and other accrued expenses		2	2	—	—	—	1	30
Current portion of bonds payable		190	70	127	—	—	2,795	4,941
Total current liabilities		695	97	284	1	—	2,804	6,417
Noncurrent liabilities:								
Bonds payable, net		9,040	5,703	13,620	8,520	—	895	137,233
Accrued arbitrage rebate		—	—	—	—	—	—	1
Total noncurrent liabilities		9,040	5,703	13,620	8,520	—	895	137,234
Total liabilities		9,735	5,800	13,904	8,521	—	3,699	143,651
Net assets restricted for debt service		(516)	(54)	(91)	—	—	(47)	(436)
Total liabilities and net assets	$	9,219	5,746	13,813	8,521	—	3,652	143,215

(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	$ 683	34	413	755	544	530	450
Interest on securities and temporary investments	—	27	—	—	—	20	14
Net increase (decrease) in fair value of investments	—	(80)	—	—	—	—	—
Loan and commitment fees	—		—	—	—	8	7
Administrative fees and other	(11)	(109)	31	(235)	5	—	—
Total operating revenues	672	(128)	444	520	549	558	471
Operating expenses:							
Interest expense							
Amortization of bond issuance costs	646	49	413	713	545	527	455
Provision (recovery) for loan losses	—	—	—	—	—	9	4
Administrative fees and other	26	—	28	1	5	1	2
Total operating expenses	672	49	441	714	550	537	461
Operating income (loss)	—	(177)	3	(194)	(1)	21	10
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net assets	—	(177)	3	(194)	(1)	21	10
Total net assets – beginning	—	177	5	194	37	(56)	21
Total net assets – ending	$ —	—	8	—	36	(35)	31
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 646	3,450	636	19,604	687	663	580
Noncapital financing activities	(10,546)	(3,547)	(636)	(19,965)	(693)	(681)	(596)
Investing activities	9,900	2	—			20	15
Net increase (decrease)	—	(95)	—	(361)	(6)	2	(1)
Cash and cash equivalents, beginning of year	—	95	173	362	318	576	397
Cash and cash equivalents, end of year	$ —	—	173	1	312	578	396

(Continued)

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

Notes to Financial Statements

September 30, 2011

(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	$	445	621	481	544	571	186	603
Interest on securities and temporary investments		22	26	—	18	25	—	18
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	—
Loan and commitment fees		7	10	—	9	9	3	11
Administrative fees and other		—	—	(10)	—	—	—	—
Total operating revenues		474	657	471	571	605	189	632
Operating expenses:								
Interest expense								
Amortization of bond issuance costs		458	644	468	555	566	187	614
Provision (recovery) for loan losses		11	4	—	1	5	(1)	6
Administrative fees and other		2	3	2	3	3	2	4
Total operating expenses		471	651	470	559	574	188	624
Operating income (loss)		3	6	1	12	31	1	8
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		3	6	1	12	31	1	8
Total net assets – beginning		231	(44)	16	(17)	61	(53)	(24)
Total net assets – ending	$	234	(38)	17	(5)	92	(52)	(16)
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	711	780	550	686	722	240	774
Noncapital financing activities		(714)	(800)	(550)	(700)	(722)	(247)	(790)
Investing activities		22	26	—	18	25	—	17
Net increase (decrease)		19	6	—	4	25	(7)	1
Cash and cash equivalents, beginning of year		518	517	72	476	552	185	505
Cash and cash equivalents, end of year	$	537	523	72	480	577	178	506

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		Rental Housing Mortgage Programs 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
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	(109)	300	890	28	138	128	8,235
Interest on securities and temporary investments		—	—	—	—	—	—	170
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	(80)
Loan and commitment fees		—	5	—	—	—	9	78
Administrative fees and other		(5)	—	1	—	—	—	(333)
Total operating revenues		(114)	305	891	28	138	137	8,070
Operating expenses:								
Interest expense								
Amortization of bond issuance costs		431	300	890	28	138	106	8,733
Provision (recovery) for loan losses		—	(1)	—	—	—	—	38
Administrative fees and other		8	3	1	—	(13)	—	81
Total operating expenses		439	302	891	28	125	106	8,852
Operating income (loss)		(553)	3	—	—	13	31	(782)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		(553)	3	—	—	13	31	(782)
Total net assets – beginning		37	(57)	(91)	—	(13)	(78)	346
Total net assets – ending	$	(516)	(54)	(91)	—	—	(47)	(436)
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	—	362	1,011	410	2,894	(3,109)	32,297
Noncapital financing activities		—	(366)	(1,011)	(410)	(2,894)	(1,515)	(47,383)
Investing activities		—	—	—	—	—	—	10,045
Net increase (decrease)		—	(4)	—	—	—	(4,624)	(5,041)
Cash and cash equivalents, beginning of year		40	288	—	—	—	4,715	9,789
Cash and cash equivalents, end of year	$	40	284	—	—	—	91	4,748

(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	**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	—

(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		**1999 Series A**	**1999 Series B**	**1999 Series C**	**1999 Series E**	**1999 Series F**	**2000 Series A**	**2000 Series B**
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 C**	**2000 Series D**	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A**	**2001 Series B**	**2001 Series C**
Current assets:								
Restricted cash and cash equivalents	$	—	—	80	—	120	110	90
Restricted investments, net		—	—	—	—	—	—	—
Accrued interest receivable		—	—	25	1	25	25	21
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	(1)	—	(1)	(1)	(1)
Total current assets		—	—	104	1	144	134	110
Noncurrent assets:								
Restricted cash and cash equivalents		—	—	190	198	198	82	109
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		—	—	4,284	—	5,184	4,955	4,183
Unrealized gain (loss) on securitized mortgage loans		—	—	483	—	412	439	395
Total restricted securitized mortgage loans, net		—	—	4,767	—	5,596	5,394	4,578
Restricted mortgage loans, net		—	—	—	94	—	—	—
Bond issuance costs, net		—	—	29	2	37	38	33
Total noncurrent assets		—	—	4,986	294	5,831	5,514	4,720
Total assets	$	—	—	5,090	295	5,975	5,648	4,830
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	—	—	21	—	22	23	19
Accounts payable and other accrued expenses		—	—	—	1	—	—	—
Current portion of bonds payable		—	—	80	—	120	110	90
Total current liabilities		—	—	101	1	142	133	109
Noncurrent liabilities:								
Bonds payable, net		—	—	4,044	77	4,759	4,720	3,949
Accrued arbitrage rebate		—	—	14	—	—	—	—
Total noncurrent liabilities		—	—	4,058	77	4,759	4,720	3,949
Total liabilities		—	—	4,159	78	4,901	4,853	4,058
Net assets restricted for debt service		—	—	931	217	1,074	795	772
Total liabilities and net assets	$	—	—	5,090	295	5,975	5,648	4,830

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

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

(Continued)

(In thousands)

Balance Sheets

	Single Family Mortgage Programs						
Assets	**2004 Series C**	**2004 Series D**	**2004 Series E**	**2005 Series A**	**2005 Series B**	**2005 Series C**	**2005 General Indenture**
Current assets:							
Restricted cash and cash equivalents	$ 225	225	265	270	260	250	12,380
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	58	65	58	66	72	68	4,232
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(8)	(7)	(10)	(9)	—	(9)	(358)
Total current assets	275	283	313	327	332	309	16,254
Noncurrent assets:							
Restricted cash and cash equivalents	479	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	11,931	11,982	13,020	14,977	15,088	13,589	835,366
Unrealized gain (loss) on securitized mortgage loans	778	809	786	816	902	641	53,707
Total restricted securitized mortgage loans, net	12,709	12,791	13,806	15,793	15,990	14,230	889,073
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	91	96	105	121	119	117	7,514
Total noncurrent assets	13,279	14,038	14,665	16,590	16,665	15,443	963,703
Total assets	$ 13,554	14,321	14,978	16,917	16,997	15,752	979,957
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ 161	176	171	193	203	183	9,479
Accounts payable and other accrued expenses	1	—	—	—	—	—	18
Current portion of bonds payable	225	225	265	270	260	250	12,380
Total current liabilities	387	401	436	463	463	433	21,877
Noncurrent liabilities:							
Bonds payable, net	12,068	12,784	13,523	15,343	15,211	14,291	880,045
Accrued arbitrage rebate	—	—	—	—	—	—	924
Total noncurrent liabilities	12,068	12,784	13,523	15,343	15,211	14,291	880,969
Total liabilities	12,455	13,185	13,959	15,806	15,674	14,724	902,846
Net assets restricted for debt service	1,099	1,136	1,019	1,111	1,323	1,028	77,111
Total liabilities and net assets	$ 13,554	14,321	14,978	16,917	16,997	15,752	979,957

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		**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
Total restricted 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)

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	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	—
Condensed Statements of Cash Flows									
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	Single Family Mortgage Programs 1999 Series A	1999 Series B	1999 Series C	1999 Series E	1999 Series F	2000 Series A	2000 Series B
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ —	—	24	13	15	28	15
Interest on securities and temporary investments	—	—	7	3	23	31	21
Gain (loss) asset sale/debt extinguishment	—	—	69	374	231	251	234
Net increase (decrease) in fair value of investments	—	—	(92)	(391)	(236)	(265)	(253)
Loan and commitment fees	—	—	8	39	21	17	21
Administrative fees and other	—	—	(1)	(8)	(4)	(3)	(3)
Total operating revenues	—	—	15	30	50	59	35
Operating expenses:							
Interest	—	—	29	13	29	28	21
Amortization of bond issuance costs	—	—	16	44	27	21	23
Administrative fees and other	—	—	21	23	22	22	22
Total operating expenses	—	—	66	80	78	71	66
Operating income (loss)	—	—	(51)	(50)	(28)	(12)	(31)
Other financing sources (uses) – operating transfers	(18)	(17)	(138)	(815)	(391)	(659)	(624)
Change in net assets	(18)	(17)	(189)	(865)	(419)	(671)	(655)
Total net assets – beginning	18	17	189	865	419	671	655
Total net assets – ending	$ —	—	—	—	—	—	—
Condensed Statements of Cash Flows							
Net cash provided by (used in):			1,248	5,063	2,824	2,292	2,410
Operating activities	$ (18)	(16)	(1,399)	(5,886)	(3,255)	(2,784)	(2,810)
Noncapital financing activities	—	—	82	423	268	292	269
Investing activities	—	—	(69)	(400)	(163)	(200)	(131)
Net increase (decrease)	(18)	(16)	69	400	163	200	131
Cash and cash equivalents, beginning of year	18	16	—	—	—	—	—
Cash and cash equivalents, end of year	$ —	—					

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	**2000 Series C**	**2000 Series D**	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 9	(5)	285	6	292	285	259
Interest on securities and temporary investments	17	33	22	—	34	35	54
Gain (loss) asset sale/debt extinguishment	209	274	—	(4)	—	—	—
Net increase (decrease) in fair value of investments	(226)	(270)	103	—	95	96	36
Loan and commitment fees	18	30	8	—	13	14	17
Administrative fees and other	(3)	(4)	(16)	—	(20)	(19)	(16)
Total operating revenues	24	58	402	2	414	411	350
Operating expenses:							
Interest	17	15	259	6	283	290	277
Amortization of bond issuance costs	18	29	8	1	12	13	17
Administrative fees and other	21	22	2	2	1	1	1
Total operating expenses	56	66	269	9	296	304	295
Operating income (loss)	(32)	(8)	133	(7)	118	107	55
Other financing sources (uses) – operating transfers	(390)	(405)	—	—	—	—	—
Change in net assets	(422)	(413)	133	(7)	118	107	55
Total net assets – beginning	422	413	798	224	956	688	717
Total net assets – ending	$ —	—	931	217	1,074	795	772
Condensed Statements of Cash Flows							
Net cash provided by (used in):	2,138	2,833					
Operating activities	$ (2,417)	(3,525)	946	36	1,514	1,433	1,903
Noncapital financing activities	245	330	(966)	(36)	(1,590)	(1,609)	(2,081)
Investing activities	(34)	(362)	22	(4)	34	36	55
Net increase (decrease)	34	362	2	(4)	(42)	(140)	(123)
Cash and cash equivalents, beginning of year	—	—	268	202	360	332	322
Cash and cash equivalents, end of year	$		270	198	318	192	199

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

(Continued)

(In thousands)

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

(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 C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C	2005 General Indenture
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	643	663	686	762	724	680	41,321
Interest on securities and temporary investments		40	59	—	—	46	40	3,156
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		276	241	305	308	426	343	22,852
Loan and commitment fees		22	22	24	24	22	20	1,458
Administrative fees and other		(33)	(30)	(44)	(39)	—	(33)	(1,667)
Total operating revenues		948	955	971	1,055	1,218	1,050	67,120
Operating expenses:								
Interest		642	696	688	757	763	661	44,954
Amortization of bond issuance costs		21	25	25	27	27	24	1,315
Administrative fees and other		1	1	5	5	2	1	108
Total operating expenses		664	722	718	789	792	686	46,377
Operating income (loss)		284	233	253	266	426	364	20,743
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	2,495
Change in net assets		284	233	253	266	426	364	23,238
Total net assets – beginning		815	903	766	845	897	664	53,873
Total net assets – ending	$	1,099	1,136	1,019	1,111	1,323	1,028	77,111
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	1,951	3,191	2,844	2,533	2,331	3,141	7,074
Noncapital financing activities		(2,826)	(3,485)	(3,326)	(3,548)	(3,223)	(2,890)	(76,590)
Investing activities		48	62	—	—	48	38	3,252
Net increase (decrease)		(827)	(232)	(482)	(1,015)	(844)	289	(66,264)
Cash and cash equivalents, beginning of year		1,531	1,608	1,501	1,961	1,660	1,057	145,760
Cash and cash equivalents, end of year	$	704	1,376	1,019	946	816	1,346	79,496

(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 2009 Short Term	2009 GSE Bonds	Total Single Family Mortgage Programs
Operating revenues:				
Interest on mortgage loans and securitized mortgage loans	$	—	—	52,903
Interest on securities and temporary investments		274	164	4,487
Gain (loss) asset sale/debt extinguishment		—	—	2,684
Net increase (decrease) in fair value of investments		(156)	—	24,405
Loan and commitment fees		—	—	2,117
Administrative fees and other		—	—	(2,227)
Total operating revenues		118	164	84,369
Operating expenses:				
Interest		362	164	57,187
Amortization of bond issuance costs		9	166	2,199
Administrative fees and other		2	10	392
Total operating expenses		373	340	59,778
Operating income (loss)		(255)	(176)	24,591
Other financing sources (uses) – operating transfers		—	431	(3,536)
Change in net assets		(255)	255	21,055
Total net assets – beginning		255	—	79,538
Total net assets – ending	$	—	255	100,593
Condensed Statements of Cash Flows				
Net cash provided by (used in):				
Operating activities	$	—	431	84,921
Noncapital financing activities		(975)	154,569	(11,234)
Investing activities		487	164	7,642
Net increase (decrease)		(488)	155,164	81,329
Cash and cash equivalents, beginning of year		488	—	168,962
Cash and cash equivalents, end of year	$	—	155,164	250,291

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

(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 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**
Current assets:								
Restricted cash and cash equivalents	$	255	155	72	83	155	60	175
Accrued interest receivable		39	54	40	47	49	16	52
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—	—
Total current assets		294	209	112	130	204	76	227
Noncurrent assets:								
Restricted cash and cash equivalents		263	362	—	393	397	125	330
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		8,607	11,337	7,183	10,183	10,885	3,785	12,020
Bond issuance costs, net		190	72	—	44	97	—	163
Total noncurrent assets		9,060	11,771	7,183	10,620	11,379	3,910	12,513
Total assets	$	9,354	11,980	7,295	10,750	11,583	3,986	12,740
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	38	54	39	46	47	16	52
Accounts payable and other accrued expenses		—	—	3	1	—	3	
Current portion of bonds payable		255	155	145	83	155	60	175
Total current liabilities		293	209	187	130	202	79	227
Noncurrent liabilities:								
Bonds payable, net		8,830	11,815	7,092	10,637	11,320	3,960	12,537
Accrued arbitrage rebate		—	—	—	—	—	—	—
Total noncurrent liabilities		8,830	11,815	7,092	10,637	11,320	3,960	12,537
Total liabilities		9,123	12,024	7,279	10,767	11,522	4,039	12,764
Net assets restricted for debt service		231	(44)	16	(17)	61	(53)	(24)
Total liabilities and net assets	$	9,354	11,980	7,295	10,750	11,583	3,986	12,740

(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		**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**
Current assets:								
Restricted cash and cash equivalents	$	40	120	—	—	—	—	1,798
Accrued interest receivable		109	25	158	3	18	11	811
Other current assets		5	—	—	—	—	—	5
Intra-entity receivable (payable)		—	—	(7)	—	—	—	(30)
Total current assets		154	145	151	3	18	11	2,584
Noncurrent assets:								
Restricted cash and cash equivalents		—	168	—	—	—	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		9,184	5,496	13,783	8,900	2,726	4,937	162,466
Bond issuance costs, net		—	—	—	—	—	—	791
Total noncurrent assets		9,184	5,664	13,783	8,900	2,726	9,652	184,738
Total assets	$	9,338	5,809	13,934	8,903	2,744	9,663	187,322
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	71	25	158	3	18	10	1,337
Accounts payable and other accrued expenses		—	2	—	—	1	4,634	4,674
Current portion of bonds payable		90	120	65	—	—	—	2,033
Total current liabilities		161	147	223	3	19	4,644	8,044
Noncurrent liabilities:								
Bonds payable, net		9,140	5,719	13,802	8,900	2,738	5,097	178,906
Accrued arbitrage rebate		—	—	—	—	—	—	26
Total noncurrent liabilities		9,140	5,719	13,802	8,900	2,738	5,097	178,932
Total liabilities		9,301	5,866	14,025	8,903	2,757	9,741	186,976
Net assets restricted for debt service		37	(57)	(91)	—	(13)	(78)	346
Total liabilities and net assets	$	9,338	5,809	13,934	8,903	2,744	9,663	187,322

(Continued)

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

Notes to Financial Statements

September 30, 2010

(In thousands)

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

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		**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 Statements 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		**Rental Housing Mortgage Programs** 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
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 Statements 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

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, 2011

Federal grantor/program title	Federal CFDA number	Most recent grant agreement	Expenditures	Loans and loan guarantees	Total expenditures and loans and loan guarantees
U.S. Department of Agriculture:					
Section 538 Rural Rental Housing Guaranteed Loans	10.438	N/A	$ —	1,108,996	1,108,996
Rural Community Development Initiative	10.446	N/A	21,875	—	21,875
Total U.S. Department of Agriculture			21,875	1,108,996	1,130,871
U.S. Department of Housing and Urban Development:					
Mortgage Insurance – Homes (FHA)	14.117	N/A	—	5,008,000	5,008,000
Housing Counseling Program	14.169	HC-0841-003	222,158	—	222,158
542(c) Risk Sharing Program *	14.188	N/A	1,060,074	91,296,557	92,356,631
Section 8 Housing Choice Vouchers*	14.195	NM800CC001	26,793,596	—	26,793,596
Training and Technical Assistance	14.227	NMHM00104	24,405	—	24,405
Community Development Block Grant (CDBG) pass-through State DFA	14.228	07-C-NR-I-7-G-54	15,692	—	15,692
Neighborhood Stabilization Program pass-through State DFA (a CDBG grant)	14.228	09-NSP-2-J-01	3,627,981	302,660	3,930,641
Emergency Shelter Grants Program	14.231	S-11-DC-35-0001	707,495	—	707,495
Emergency Homeowners Loan program pass-through Neighborworks America	14.323	NA	8,056	—	8,056
HOME Investment Partnerships Program *	14.239	M-11-SG-35-0100	9,456,830	37,288,845	46,745,675
Housing Opportunities for Persons with AIDS	14.241	NMH011-F-999	639,417	—	639,417
Rural Housing and Economic Development Program	14.250	RH-09-NM-I-0072	53,707	—	53,707
ARRA – Homelessness Prevention and Rapid Re-Housing Program * **	14.257	S-09-DY-35-0001	2,704,138	—	2,704,138
ARRA – Tax Credit Assistance Program* **	14.258	M-09-ES-35-0100	4,815,496	7,825,592	12,641,088
Total U.S. Department of Housing and Urban Development			50,129,045	141,721,654	191,850,699
U.S. Department of the Treasury, pass-through from Neighborworks America National Foreclosure Mitigation Counseling	21.000	PL112-1095X1350	39,851	—	39,851
U.S. Department of Energy:					
Weatherization Assistance for Low-Income Persons*	81.042	EE0000207	785,821	—	785,821
ARRA – Weatherization Assistance for Low-Income Persons Training Center * **	81.042	EE0004091	405,593	—	405,593
ARRA – Weatherization Assistance for Low-Income Persons * **	81.042	EE0000104	11,241,618	—	11,241,618
Total U.S. Department of Energy			12,433,032	—	12,433,032
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	3,282,011	—	3,282,011
Total federal awards			$ 65,905,814	142,830,650	208,736,464

* 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, 2011 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, 2011, the Authority recorded $5,008,000 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 43 loans. HUD's assumed risk approximated $111,736,000 at September 30, 2011. Of the 43 loans closed, the Authority funded 31 loans with outstanding principal of $102,619,000 at September 30, 2011. HUD's assumed risk of loss of approximately $92,357,000 related to these 31 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, 2011, the loan had an outstanding principal of $1,232,000, of which the USDA assumed risk of loss of approximately $1,109,000 serviced in the accompanying Schedule.

(4) Loans and Loan Guarantees

Loans and loan guarantees in the accompanying Schedule consist of outstanding principal loans in programs that have ongoing compliance requirements.

(5) Relationship to Federal Financial Reports

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

(Continued)

(6) 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	$	21,875
U.S. Department of Housing and Urban Development:			
Housing Counseling Program	14.169		202,158
Section 8 Housing Choice Vouchers	14.195		25,520,815
Neighborhood Stabilization Program (a CDBG grant)	14.228		2,819,656
Emergency Shelter Grants Program	14.231		707,495
HOME Investment Partnerships Program	14.239		7,619,513
Housing Opportunities for Persons with AIDS	14.241		621,719
Rural Housing and Economic Development Program	14.250		40,558
ARRA – Homeless Prevention and Rapid Re-Housing Program*	14.257		2,685,748
ARRA – Tax Credit Assistance Program *	14.258		4,815,496
Total U.S. Department of Housing and Urban Development			45,033,158
U.S. Department of the Treasury:			
National Foreclosure Mitigation Counseling	21.000		36,769
U.S. Department of Energy:			
Weatherization Assistance Program for Low-Income Persons	81.042		744,606
ARRA – Weatherization Assistance Program for Low-Income Persons *	81.042		10,468,055
ARRA – Weatherization Assistance Program for Low-Income Persons Training Center*	81.042		99,222
			11,311,883
U.S. Department of Health and Human Services:			
Low-Income Home Energy Assistance Program	93.568		3,186,981
Total federal assistance awarded to subrecipients		$	59,590,666

* American Recovery and Reinvestment Act of 2009

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*

The 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 (the Authority), a component unit of the State of New Mexico, as of and for the year ended September 30, 2011, and we have issued our report thereon dated January 6, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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*.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of other matters required by NMSA as item 2011-01.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of other matters required by NMSA. We did not audit the Authority's response, and accordingly, we express no opinion on it.

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

KPMG LLP

January 6, 2012

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

The 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, 2011. 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.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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.

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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

KPMG LLP

January 6, 2012

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2010-01 – Special Test

U.S. Department of Housing and Urban Development

Neighborhood Stabilization Program (Community Development Block Grant/State Program) – CFDA 14.228

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

Resolved

Finding 2010-02 – Davis Bacon Act

U.S. Department of Housing and Urban Development

HOME Investment Partnership Program – CFDA 14.239

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

Resolved

Finding 2010-03 – Eligibility

U.S. Department of Housing and Urban Development

HOME Investment Partnership Program – CFDA 14.239

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

Resolved

Finding 2010-04 – Program Income

U.S. Department of Housing and Urban Development

HOME Investment Partnership Program – CFDA 14.239

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

Resolved

(Continued)

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

U.S. Department of Housing and Urban Development

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

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

Resolved

Finding 2010-06 – Davis Bacon Act

U.S. Department of Housing and Urban Development

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

Grant No.: M09-ES-35-0100

Resolved

Finding 2010-07 – Davis Bacon Act

U.S. Department of Energy

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

Grant No.: EE0000104

Resolved

(Continued)

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ______ yes __x__ no
- Significant deficiencies identified that are not considered to be material weaknesses? ______ yes __x__ None reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ______ yes __x__ no

Identification of major programs:

Program name	CFDA number
542 (c) Risk Sharing Program	14.188
Section 8 Housing Choice Vouchers	14.195
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

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

Schedule of Findings and Questioned Costs

September 30, 2011

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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

Finding 2011-01 – Subcontractors Payroll Review

Condition and Criteria

To comply with the Davis-Bacon Act, the Authority is required to obtain and review contractor certified payroll reports on a weekly basis to assure proper prevailing wage rates are paid on construction projects in excess of $2,000 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 the Weatherization Assistance Program for Low-Income Persons, one payroll report was not timely submitted by the subcontractors/or obtained by the Authority and was approved for payment prior to the receipt of the report. However, the payroll report was ultimately received and reviewed for accuracy by the Authority and paid the day of receipt and review.

Cause

Certain contractors and their related subcontractors do not always timely submit their certified payroll reports. This can result in a contractor submitting a request for reimbursement prior to submitting the certified payroll. The Authority's policy is to not disburse funds to the contractor prior to receipt and review of the certified payroll. It appears that in this instance, the Authority did not ensure that the certified payroll was received prior to approving the disbursement.

Effect

The requirement to review certified payrolls on a weekly basis 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 and the Authority's grant agreement.

Recommendation

We recommend 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 implemented a policy in April 2010 to assure all 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, 2011

	CUSIP	Rate	Maturity		Bank balance	Book balance
Wells Fargo MFA Housing Programs deposit account and repurchase agreement				$	991,756	991,756
FDIC Insurance					(818,654)	
Uninsured public funds				$	173,102	
102% collateral requirement				$	176,564	
Collateral (at fair value):						
FNMA pooled security	31433DRE9	5.5%	8/1/2037			
Total collateral (at fair value)				$	176,564	
Over collateral requirement				$	—	

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

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

See accompanying independent auditors' report.

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

Exit Conference

Year ended September 30, 2011

Exit Conference

An exit conference was conducted on December 13, 2011 in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority	
Dennis Burt	Chair of Finance Committee and Board
Mark Van Dyke	Finance Committee Member
Jay Czar	Executive Director
Gina Hickman	Deputy Director of Finance and Administration
Joseph Montoya	Deputy Director of Programs
Yvonne Segovia	Controller
Linda Bridge	Director of Housing Development
Dan Foster	Program Manager
Erik Nore	Director of Homeownership
Marjorie Martin	Attorney
KPMG LLP	
John Kennedy	Partner
Jaime Clark	Senior Manager