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

Financial Statements
and Single Audit Reports

September 30, 2012 and 2011

(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, 2012 and 2011

Name	**Title**
Dennis Burt	Chair
Angel Reyes	Vice Chair
James B. Lewis, New Mexico State Treasurer	Treasurer
John A. Sanchez, New Mexico Lieutenant Governor	Member
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

The 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, 2012 and 2011, which collectively 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, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United

States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of pledged collateral for public funds is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of pledged collateral for public funds and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

January 4, 2013

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, 2012, 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 Governmental 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):

		2012	2011	2010
Cash and cash equivalents (unrestricted and restricted)	$	155,426	171,495	285,257
Investments (unrestricted and restricted)		50,319	42,075	36,611
Mortgage-backed securities and mortgage loans receivable		1,168,012	1,328,444	1,349,748
Total assets		1,391,229	1,564,577	1,706,826
Bonds payable		1,104,990	1,281,813	1,443,499
Total liabilities		1,120,447	1,301,833	1,470,500
Total net assets		270,782	262,744	236,326
Total operating revenues		69,952	97,563	108,556
Total operating expenses		61,926	71,155	78,074
Operating income		8,026	26,408	30,482
Total nonoperating revenues		12	10	671
Change in net assets		8,038	26,418	31,153

Financial Position

The net assets of the Authority increased $8.0 million from September 30, 2011 to September 30, 2012 and increased $26.4 million from September 30, 2010 to September 30, 2011. The following table is a condensed summary of net assets at September 30, 2012, 2011, and 2010 (in thousands):

		2012	2011	2010
Assets:				
Current assets	$	47,512	56,142	63,610
Noncurrent assets		1,343,717	1,508,435	1,643,216
Total assets		1,391,229	1,564,577	1,706,826
Liabilities:				
Current liabilities		32,527	41,034	44,251
Noncurrent liabilities		1,087,920	1,260,799	1,426,249
Total liabilities		1,120,447	1,301,833	1,470,500
Net assets:				
Invested in capital assets, net of related debt		(575)	(456)	(726)
Restricted		128,114	126,077	101,044
Restricted for land title trust and housing trust		20,913	20,089	19,807
Unrestricted		122,330	117,034	116,201
Total net assets	$	270,782	262,744	236,326

Comparison of Years Ended September 30, 2012 and 2011

The decrease in cash and cash equivalents of $16.1 million reflects a decrease of $27.2 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 $27.2 million in escrow bonds to long-term interest rates occurred 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 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 was stored through the issuance of the NIBP escrow bonds was 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 were 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, 2012 in anticipation of bond redemptions scheduled for January 1. The

Authority purchased $106.0 million in MBS and $10.1 million in whole loans during the year; however, MBS and whole loan purchases were offset by MBS prepayments of $163.3 million and whole loan prepayments of $0.7 million, reflected in the $160.4 million net decrease of MBS and mortgage loans receivable. The $8.2 million increase in investments is primarily attributed to the redemption of callable bond programs that then allowed the Authority to bring the related MBS valued at approximately $4.7 million into the investment portfolio. Additionally, approximately $1.9 million of fair market value adjustments were recognized on the State Investment Council portfolio. The overall effect of these elements resulted in the 11.1% decrease in total assets. Over the past year, the Authority experienced a $176.8 million net decrease in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were $215.1 million; bond repayments and refundings totaled $385.5 million, resulting in the net decrease for the year. The Authority received $226.1 million in repayments, including prepayments, of securitized mortgage loans and $42.5 million of whole loan and down payment assistance loan repayments during the year.

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 NIBP. MFA was originally allocated $155 million for use in the Single Family Program. The final conversion of the remaining $27.2 million in escrow bonds to long-term interest rates occurred 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 Cap as a portion of such bonds were originally issued to refund maturities and redemptions of 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. 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.

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Change in Financial Position

The Authority's operating income for the year decreased by approximately $18.4 million when compared to fiscal year 2011. The following table is a condensed summary of changes in net assets for the years ended September 30, 2012, 2011, and 2010 (in thousands):

		2012	2011	2010
Operating revenues:				
Interest on loans and MBS	$	53,422	62,992	65,993
Interest on securities and investments		4,434	5,260	5,829
Program revenues		1,626	1,634	1,632
Net increase in fair value of investments		(1,723)	23,050	24,726
Loan and commitment fees		2,332	1,981	2,240
Administrative fees and other revenues		9,861	2,646	8,136
Total operating revenues		69,952	97,563	108,556
Operating expenses:				
Interest expense		49,648	59,561	66,607
Administrative fees and other expenses		12,278	11,594	11,467
Total operating expenses		61,926	71,155	78,074
Operating income		8,026	26,408	30,482
Nonoperating revenues (expenses):				
Grant award income		57,690	85,932	89,368
Grant award expense		(57,690)	(85,932)	(89,368)
State appropriations		—	—	750
Land title trust contributions		12	12	11
Land title trust grant distributions		—	(2)	(90)
		12	10	671
Change in net assets		8,038	26,418	31,153
Total net assets, beginning of year		262,744	236,326	205,173
Total net assets, end of year	$	270,782	262,744	236,326

Comparison of Years Ended September 30, 2012 and 2011

The change in fair value of securities for 2012 was a decrease of $1.7 million compared to an increase of $23.1 million in 2011. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2012 compared to their fair value at September 30, 2011 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 2011 to 2012 is a decrease over prior year of $24.8 million. Without the GASB No. 31 adjustment, the operating gain increased $6.4 million compared to prior year.

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In 2012, there was little fluctuation in nonoperating revenues in comparison to 2011. Operating revenues decreased $27.6 million from 2011 to 2012; however, without the GASB No. 31 adjustment operating revenues were only $2.8 million less than in 2011. The low interest rate environment has continued to impact interest income-related revenue. As a result of a continued drop in MBS and mortgage loan production as well as high prepayment activity, the Authority experienced a decrease in mortgage interest revenue of approximately $9.6 million in the current year. Investment rates remained low, thus interest revenue from investment securities decreased over the prior year by approximately $0.8 million. The Authority experienced an increase of $7.2 million for administrative fees and other income as a result of nonrecurring investment gains related to an MBS sale transaction in 2012 and higher realized market value gains on the State Investment Council funds. This is offset by the impact of decreased loan production and related bond issuance over the last several years, coupled with increased MBS prepayments which have negatively impacted bond program administrative fees generated.

Operating expenses decreased by $9.2 million, approximately 13%, primarily due to decreased interest expense of $9.9 million associated with bond redemptions due to prepayments which increased by 12% during this fiscal year.

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 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 gain 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 increased 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.

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Debt Administration

The Authority continually investigates and utilizes financing and debt management techniques designed to achieve its goals of minimizing interest expense and efficiently utilizing Cap while managing risk and responding to changing capital markets. The NIBP had served as a mechanism to achieve these 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. However, during the course of this year, MFA expended the last \$27.2 million of its \$155 million single family NIBP allocation. The Authority continues to evaluate other financing structures and asset/liability management strategies to maximize earnings in both the long and short term. This includes utilizing existing liquidity to warehouse loans minimizing bond acquisition fund negative arbitrage, refining internal processes for ensuring that cash received in relation to prepayments is used to redeem bonds as quickly as possible, and reviewing callable programs determining if earnings could be maximized by eliminating debt and using the assets to generate more income or as subsidy to upcoming bond issues creating more competitive mortgage rates. The Authority is continually reviewing and monitoring program parity, cash flow projections and internal rates of return. Management of the overall bond portfolio and related assets is an ongoing process.

During fiscal year 2012, the Authority issued \$148.4 million of Single Family Program revenue bonds of which approx. \$29.0 million was a bond refunding transaction. This is \$35.7 million less than the \$184.1 million issued in 2011. As previously noted, since 2010 the NIBP program was an integral part of the Authority's ability to issue mortgage revenue bonds providing competitive mortgage rates for the Single Family Program. The Authority utilized \$27.2 million of its remaining NIBP \$155 million allocation in October of 2011. The current interest rate environment has limited the Authority's ability to issue new bonds as current interest rates for mortgage loans have been lower than interest rates on new bond issuances. During the course of this fiscal year, bond issues and mortgage rates were subsidized using zero participations generated through the NIBP program. Although the Authority is still utilizing a continuous lending loan origination model, negative arbitrage expenses did increase approximately \$0.5 million this fiscal year in comparison to 2011 related to bond acquisition funds. The Authority redeemed \$280.9 million of Single Family Program bonds due to repayments, compared to \$299.7 million in 2011.

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 our Single Family Program. The NIBP in conjunction with the continuous lending loan origination model saved the Authority approximately \$1.5 million in negative arbitrage in the 2011 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 years 2012 and 2011, the Authority did not issue any Rental Housing Bonds and redeemed \$37.5 million in fiscal year 2012 due to repayments compared to \$38.7 million in 2011.

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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 two of the main sources of revenues. During 2012, the Authority's programs and investment returns continued to be adversely affected by erratic capital markets, the housing crisis, federal fiscal policy and the economic downturn in general.

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 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 publicly financed debt issues that are credit enhanced by Fannie Mae and Ginnie Mae. Since the Authority issues single family mortgages that are backed by loans that are credit enhanced by Fannie Mae and Ginnie Mae, 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, 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 AAAm 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 and this has produced some bond rating downgrades in the Authority's portfolio. 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 zero percent reinvestment rate. At this time, all the Authority's single family bonds have met the required cash flow stress tests.

The Authority's investments outside of the Single Family Programs are conservative, and primarily include highly liquid and marketable Treasury and Agency obligations, the AAAm 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 MBS for its own portfolio as bond programs become callable. This strategy is helping to improve the investment income picture as that portion of our investment portfolio is yielding close to 6.0%. During this fiscal year, the investments in the State Investment Council Investment Funds Program experienced $1.9 million in fair market value gains in comparison to 2011 when fair market value gains were $0.5 million. There continues to be extreme market volatility.

Moving into the new year, the Authority expects to face continued challenges in funding the Single Family Program. The cost of funds in the traditional tax-exempt bond market will be prohibitive in competing with the historically low mortgage interest rates currently offered in the traditional mortgage market. If borrowers have good credit, they may be able to get better mortgage rates elsewhere. The Authority does, however, believe that the down payment assistance programs will help in maintaining program demand and viability. The Authority is evaluating implementation of a pass-through bond structure which will basically eliminate negative arbitrage and allow the cost of funds to be more competitive with the mortgage market. In addition, as an alternative and complement to the Authority's bond financing of single family mortgage loans, the To-Be-Announced (TBA) market will be utilized to fund some Single Family Programs. Using this funding mechanism, the loans/MBS originated are sold into the secondary market rather than put into a bond transaction. This is a business model being used by many HFAs to assist in keeping single family programs competitive and in stabilizing revenue streams. Due to the high demand now being experienced in the MBS market, this is currently a profitable model for the Authority to operate and it provides an option for the low-to-moderate income borrowers served by the Authority.

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. Interest rate decreases are not anticipated as it is believed that traditional mortgage and reinvestment rates have bottomed out. The Authority expects that the drop in mortgage interest rates over the last few years will continue to cause high 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. The current economic environment may, however, limit the ability of borrowers to refinance or prepay loans due to falling real estate values or a borrower's personal financial situation.

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

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

Balance Sheets

September 30, 2012 and 2011

(In thousands)

Assets		**2012**	**2011**
Current assets:			
Cash and cash equivalents (note 2):			
Unrestricted	$	20,720	25,158
Restricted		20,109	20,651
Total cash and cash equivalents		40,829	45,809
Accrued interest receivable		5,173	5,851
Other current assets		1,510	4,482
Total current assets		47,512	56,142
Noncurrent assets:			
Restricted cash and cash equivalents (note 2)		114,597	125,686
Investments and reserve funds (note 2):			
Restricted investments and reserve funds, net		9,187	11,063
Unrestricted investments, net		39,950	30,445
Unrealized gain on restricted and unrestricted investments and reserve funds		1,182	567
Total investments and reserve funds, net		50,319	42,075
Restricted securitized mortgage loans, net (notes 2 and 3):			
Securitized mortgage loans, net		906,759	1,030,991
Unrealized gain on securitized mortgage loans		87,934	90,272
Restricted securitized mortgage loans, net		994,693	1,121,263
Mortgage loans, net (note 3):			
Restricted mortgage loans, net		99,322	137,240
Restricted trust funds mortgage loans, net		10,273	8,012
Unrestricted mortgage loans, net		63,724	61,929
Total mortgage loans, net		173,319	207,181
Bond issuance costs, net		8,365	9,475
Capital assets (note 4)		1,453	1,671
Intangible assets		145	202
Other noncurrent assets		826	882
Total noncurrent assets		1,343,717	1,508,435
Total assets	$	1,391,229	1,564,577

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

Balance Sheets

September 30, 2012 and 2011

(In thousands)

Liabilities and Net Assets		**2012**	**2011**
Current liabilities:			
Accrued interest payable	$	8,708	11,447
Accounts payable and other accrued expenses (note 8)		4,643	6,660
Compensated absences (note 9)		307	302
Current portion of bonds payable (notes 5, 7, and 9)		18,869	22,625
Total current liabilities		32,527	41,034
Noncurrent liabilities (note 9):			
Bonds payable, net (notes 5 and 7)		1,086,121	1,259,188
Notes payable (notes 6 and 7)		1,500	650
Accrued arbitrage rebate		73	743
Other noncurrent liabilities		226	218
Total noncurrent liabilities		1,087,920	1,260,799
Total liabilities		1,120,447	1,301,833
Net assets:			
Invested in capital assets, net of related debt		(575)	(456)
Restricted for debt service		128,114	126,077
Restricted for land title trust and housing trust		20,913	20,089
Unrestricted (note 12)		122,330	117,034
Total net assets		270,782	262,744
Commitments and contingencies (note 13)			
Total liabilities and net assets	$	1,391,229	1,564,577

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, 2012 and 2011

(In thousands)

		2012	2011
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	53,422	62,992
Interest on securities and investments		4,434	5,260
Net (decrease) increase in fair value of investments		(1,723)	23,050
Housing program income		1,270	1,283
Program servicing fees		356	351
Loan and commitment fees		2,332	1,981
Administrative fees and other revenues		9,861	2,646
Total operating revenues		69,952	97,563
Operating expenses:			
Interest expense		49,648	59,561
Amortization of bond issuance costs		2,202	2,065
Provision for loan losses		1,695	632
Administrative and other expenses		8,381	8,897
Total operating expenses		61,926	71,155
Operating income		8,026	26,408
Nonoperating revenues (expenses):			
Grant income		57,690	85,932
Grant expense		(57,690)	(85,932)
Land title trust contributions		12	12
Land title trust grant distributions		—	(2)
Total nonoperating revenues		12	10
Change in net assets		8,038	26,418
Total net assets, beginning of year		262,744	236,326
Total net assets, end of year	$	270,782	262,744

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, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from operating activities:			
Purchase of loans	$	(10,109)	(14,762)
Receipts of loan repayments		42,478	35,532
Loan and commitment fees		1,156	1,682
Mortgage interest received		59,282	67,917
Purchase of securitized mortgage loans		(105,972)	(161,236)
Principal repayment of securitized mortgage loans		226,081	170,775
Notes receivable, net repayments		—	9,900
Receipts for services		5,959	5,721
Payments to employees for services		(5,251)	(5,658)
Payments to suppliers of goods or services		(3,127)	(3,289)
Other receipts (payments)		(35)	117
Net cash provided by operating activities		210,462	106,699
Cash flows from noncapital financing activities:			
Proceeds from sale of bonds and notes payable		215,072	212,486
Repayment and refunding of bonds and notes payable		(385,463)	(369,312)
Loss on extinguishment of debt		(407)	—
Payment of interest on bonds and notes		(57,767)	(65,616)
Payment of arbitrage rebate, net		(431)	(55)
Payment for bond issuance costs		(1,092)	(1,167)
Receipt of grant income		59,512	86,128
Payment of grant to subrecipients		(59,512)	(86,128)
Contributions to land title trust		12	12
Land title trust grant distributions		—	(2)
Net cash used in noncapital financing activities		(230,076)	(223,654)
Cash flows from capital financing activities:			
Purchases of capital assets		(37)	(364)
Proceeds from the sale of capital assets		136	15
Repayment of capital debt		(110)	(105)
Payment for interest on capital debt		(92)	(96)
Net cash used in capital financing activities		(103)	(550)
Cash flows from investing activities:			
Payments for operation and sale of foreclosed property		(18)	(24)
Purchase of investments		(79,999)	(39,044)
Proceeds from maturity and sale of investments		80,627	38,894
Investment interest income		3,038	3,917
Net cash provided by investing activities		3,648	3,743
Net decrease in cash and cash equivalents		(16,069)	(113,762)
Cash and cash equivalents, beginning of year		171,495	285,257
Cash and cash equivalents, end of year	$	155,426	171,495
Current cash and cash equivalents	$	40,829	45,809
Noncurrent cash and cash equivalents		114,597	125,686
Cash and cash equivalents, end of year	$	155,426	171,495

(Continued)

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

Statements of Cash Flows

Years ended September 30, 2012 and 2011

(In thousands)

		2012	2011
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	8,026	26,408
Adjustments to reconcile operating income to net cash provided by operating activities:			
Net decrease (increase) in the fair value of investments		1,723	(23,050)
Amortization of bond issuance costs		2,202	2,065
Amortization of deferred commitment fees		(2,332)	(1,981)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums		5,171	4,525
Gain on sale of assets		(6,838)	(628)
Depreciation and amortization expense		272	238
Provision of loan losses		1,695	632
Investment interest income		(4,434)	(5,260)
Interest on bonds and notes payable		49,648	59,561
Changes in assets and liabilities:			
Accrued interest receivable on securitized mortgage loans and mortgage loans		690	400
Other current assets		2,972	1,415
Other noncurrent assets		56	30
Accounts payable and other accrued expenses		(2,017)	(5,441)
Compensated absences		5	80
Other noncurrent liabilities		8	1
Securitized mortgage loans, net cost		119,481	11,749
Mortgage loans		34,134	26,055
Note receivable		—	9,900
Net cash provided by operating activities	$	210,462	106,699
Supplemental disclosure:			
Other real estate acquired through foreclosure	$	645	758

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 18 for segment financial statements.
- Rental Housing Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related loans to qualified lenders for the purpose of financing 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 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; 3) any private contributions to the fund; or 4) earnings of 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, mortgage back securities (MBSs), 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 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) 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, 2012 and 2011 were $5.9 million and $6.0 million, respectively, of loans to borrowers of certain nonprofit organizations, which are subject to reimbursement provisions in lieu of insurance.

(j) 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, government guarantees, 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.

(k) Interest on Mortgage Loans

Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately $109,000 and $75,000 as of September 30, 2012 and 2011, respectively. Single family mortgage loans continue to accrue interest through foreclosure since loans are insured, and interest is collected through insurance proceeds. Rental Housing mortgage loans are place on non-accrual after 90-days delinquency.

(l) 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.

(m) 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. Economic gains due to refunding are amortized over the shorter of the remaining life of the old debt or the life of the new debt.

(n) 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.

(o) Intangible Assets

Intangible assets represent: 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; and 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).

(p) 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.

(q) Deferred Revenue

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

(r) Compensated Absences

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

Vacation Leave

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

Sick Leave

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

Accrued sick leave is computed by multiplying 50% of each employee's hourly rate by the number of hours accrued in excess of 400.

(s) Net Assets

Net assets are classified as follows:

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

Restricted 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.

(t) Revenues and Expenses

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

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

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

(Continued)

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

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

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

(u) Income Taxes

The income the Authority earns in the exercise of its essential government functions is excluded from federal income tax under Section 115(1) of the IRC. The Trust is exempt from federal income tax under Section 501(c)(3) of the IRC. 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):

	2012	2011
Cash on deposit at financial institution	$ 7,549	7,488
Cash on deposit at New Mexico State Treasurer	10,290	14,935
Cash equivalents not considered deposits:		
Money market accounts	19	17
Money market funds	92,250	97,141
Repurchase agreements	4,351	4,071
Guaranteed investment contracts	40,967	47,843
	$ 155,426	171,495

(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.nmsto.gov. 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, 2012 and 2011, the Authority's bank balance was $7,749,000 and $7,726,000, respectively. Of this amount at September 30, 2012 and 2011, $7,749,000 and $7,726,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2012 and 2011 are $0 and $0, 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 Energy Savers 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, 2012 and 2011, the Authority had $1,909,000 and $992,000, 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, 2012 and 2011 (in thousands):

	September 30, 2012					
		Investment maturities (in years)				
Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10	Not available
Money market funds	$ 92,250	92,250	—	—	—	—
Money market account	19	19	—	—	—	—
Repurchase agreements	4,351	4,351	—	—	—	—
Guaranteed investment contracts	40,967	38,258	156	—	2,553	—
Internal state investment pools:						
State treasurer	10,290	10,290	—	—	—	—
State investment council	28,512	—	—	—	—	28,512
U.S. agencies	8,091	—	8,091	—	—	—
Securitized mortgage loans:						
Unrestricted	9,779	—	—	—	—	9,779
Restricted	994,693	—	—	58	—	994,635
	$ 1,188,952	145,168	8,247	58	2,553	1,032,926

		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	2,606	1,154,774

The following tables provide information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2012 and 2011 (in thousands):

		September 30, 2012						
Investment type		**Fair value**	**AAA**	**AA**	**A**	**U.S. government guaranteed**	**Not rated**	**Not available**
Money market funds	$	92,250	92,250	—	—	—	—	—
Money market account		19	—	—	—	—	19	—
Repurchase agreements		4,351	—	—	—	—	4,351	—
Guaranteed investment contracts		40,967	357	38,927	1,683	—	—	—
Internal state investment pools:								
State treasurer		10,290	10,290	—	—	—	—	—
State investment council		28,512	—	—	—	—	—	28,512
U.S. agencies		8,091	—	8,091	—	—	—	—
Securitized mortgage loans:								
Unrestricted		9,779	—	1,250	—	8,529	—	—
Restricted		994,693		245,019		749,674		
	$	1,188,952	102,897	293,287	1,683	758,203	4,370	28,512

Investment type		September 30, 2011					
	Fair value	AAA	AA	A	U.S. government guaranteed	Not rated	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

(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, 2012 and 2011, respectively: Ginnie Mae 73% and 70%, and Fannie Mae 23% and 26%.

(3) Mortgage Loans

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

	2012	2011
Total mortgage loan principal outstanding	$ 178,439	211,297
Less:		
Allowance for mortgage loan losses	(3,380)	(2,310)
Deferred origination and commitment fees	(1,740)	(1,806)
Mortgage loans, net	$ 173,319	207,181

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

		2012	2011
Beginning balance	$	2,310	1,945
Provision for loan losses		1,695	632
Loans written off net of recoveries		(625)	(267)
Ending balance	$	3,380	2,310

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

Rental housing programs	3.00% to 8.84%
Other mortgage loans	0.00% to 12.12%
Second mortgage DPA loans	0.00% to 7.50%

MBSs have stated interest rates ranging from 3.25% to 7.49%. At September 30, 2012 and 2011, deferred commitment fees of $8,112,000 and $9,223,000, respectively, have been netted with securitized mortgage loans, which are ultimately recorded at estimated fair value.

As of September 30, 2012 and 2011, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $125,000 and $82,000, respectively. As of September 30, 2012 and 2011, mortgage loans' total delinquent aggregate principal balances are approximately $7,713,000 and $6,465,000, respectively.

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):

		2012	2011
Southwest Neighborhood Housing Services	$	562	575
State of New Mexico Severance Tax Permanent Fund		23	36
Isleta Pueblo		1,742	1,563
AFL-CIO		2,991	3,024
Fannie Mae Loans		18,493	18,684
Habitat for Humanity/Valencia County		39	41
Ginnie Mae Loans		1,176	1,270
Southwest Community Resources		30	31
Superior Mortgage		7	—
Wallick & Volk, Inc.		13	—
Hometrust		17	—
	$	25,093	25,224

(4) Capital Assets

Changes in capital assets during 2012 and 2011 were as follows (in thousands):

	October 1, 2011	Additions	Dispositions	September 30, 2012
Land (nondepreciable)	$ 512	—	—	512
Building and improvements	3,041	—	—	3,041
Furniture and equipment	1,786	37	(16)	1,807
Total capital assets	5,339	37	(16)	5,360
Less accumulated depreciation:				
Building and improvements	(2,310)	(96)	—	(2,406)
Furniture and equipment	(1,358)	(159)	16	(1,501)
Total accumulated depreciation	(3,668)	(255)	16	(3,907)
Capital assets, net	$ 1,671	(218)	—	1,453

	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

(5) Bonds Payable

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

Single family mortgage programs		2012	2011
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	$	285	375
1994 Series D – 6.80% interest payable semiannually, principal due through 2026		—	540
2000 Series E – 5.40% to 6.55% interest payable semiannually, principal due 2032		—	3,450
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018		52	61
2001 Series A – 4.80% to 5.85% interest payable semiannually, principal due through 2032		—	3,640
2001 Series B – 5.00% to 6.20% interest payable semiannually, principal due through 2033		—	3,850
2001 Series C – 5.00% to 6.25% interest payable semiannually, principal due through 2033		—	3,580
2001 Series D – 4.25% to 5.75% interest payable semiannually, principal due through 2033		—	4,565
2002 Series A – 4.75% to 6.45% interest payable semiannually, principal due through 2033		—	3,745
2002 Series B – 4.40% to 6.35% interest payable semiannually, principal due through 2033		—	4,345
2002 Series C – 4.70% to 5.82% interest payable semiannually, principal due through 2034		—	4,425

Single family mortgage programs	2012	2011
2002 Series D – 4.15% to 5.64% interest payable semiannually, principal due through 2034	$ —	5,430
2002 Series E – 4.15% to 5.43% interest payable semiannually, principal due through 2034	—	4,795
2002 Series F – 4.10% to 5.53% interest payable semiannually, principal due through 2034	—	5,460
2003 Series A – 4.00% to 5.25% interest payable semiannually, principal due through 2034	—	6,005
2003 Series B – 3.85% to 5.45% interest payable semiannually, principal due through 2034	—	6,965
2003 Series C – 3.25% to 4.70% interest payable semiannually, principal due through 2034	—	10,015
2003 Series D – 4.45% to 6.125% interest payable semiannually, principal due through 2034	—	5,800
2003 Series E – 4.20% to 5.89% interest payable semiannually, principal due through 2034	6,375	8,405
2004 Series A – 3.55% to 5.29% interest payable semiannually, principal due through 2034	7,210	9,385
2004 Series B – 3.80% to 4.75% interest payable semiannually, principal due through 2035	7,745	10,080
2004 Series C – 4.40% to 5.65% interest payable semiannually, principal due through 2035	8,080	10,410
2004 Series D – 4.65% to 6.15% interest payable semiannually, principal due through 2035	8,340	10,310
2004 Series E – 4.25% to 5.50% interest payable semiannually, principal due through 2035	9,150	11,285
2005 Series A – 4.20% to 5.50% interest payable semiannually, principal due through 2036	11,415	13,725
2005 Series B – 4.50% to 6.10% interest payable semiannually, principal due through 2036	10,880	13,185
2005 Series C – 3.875% to 5.85% interest payable semiannually, principal due through 2037	10,445	12,230
2005 Series D – 4.05% to 5.85% interest payable semiannually, principal due through 2037	14,320	18,535
2006 Series A – 4.375% to 5.95% interest payable semiannually, principal due through 2037	22,550	27,465
2006 Series B – 4.15% to 5.90% interest payable semiannually, principal due through 2037	18,355	21,580
2006 Series C – 4.10% to 6.15% interest payable semiannually, principal due through 2037	21,260	28,625
2006 Series D – 4.25% to 6.00% interest payable semiannually, principal due through 2037	20,200	26,395
2006 Series E – 4.35% to 6.05% interest payable semiannually, principal due through 2038	19,195	24,940

Single family mortgage programs		2012	2011
2006 Series F – 4.20% to 6.15% interest payable semiannually, principal due through 2038	$	28,675	38,630
2007 Series A – 4.25% to 5.75% interest payable semiannually, principal due through 2038		23,810	31,600
2007 Series B – 3.75% to 6.00% interest payable semiannually, principal due through 2039		46,055	54,385
2007 Series C – 4.875% to 5.92% interest payable semiannually, principal due through 2039		30,975	34,680
2007 Series D – 5.00% to 6.27% interest payable semiannually, principal due through 2039		35,080	41,125
2007 Series E – 4.90% to 6.35% interest payable semiannually, principal due through 2039		34,110	39,620
2008 Series A – 3.75% to 5.60% interest payable semiannually, principal due through 2039		30,270	36,315
2008 Series B – 4.55% to 6.375% interest payable semiannually, principal due through 2039		20,235	23,465
2008 Series C – 4.65% to 6.95% interest payable semiannually, principal due through 2039		19,110	30,045
2008 Series D – 3.45% to 5.50% interest payable semiannually, principal due through 2039		36,525	48,420
2009 Series A – 2.875% to 6.00% interest payable semiannually, principal due through 2039		16,650	20,255
2009 Series B – 2.35% to 5.65% interest payable semiannually, principal due through 2039		35,365	43,720
2009 Series C – 2.65% to 5.70% interest payable semiannually, principal due through 2040		42,990	53,635
2009 Series D – 2.10% to 5.35% interest payable semiannually, principal due through 2040		39,135	46,700
2009 Series E – 2.10% to 5.30% interest payable semiannually, principal due through 2040		38,115	45,540
2009 Series Bonds – variable interest rate, due upon maturity, principal due 2012		—	27,200
2010 Series A – 3.01% to 4.625% interest payable semiannually, principal due through 2040		59,730	67,325
2011 Series A – 3.55% to 5.35% interest payable semiannually, principal due through 2041		64,735	69,930
2011 Series B – 2.77% to 5.00% interest payable semiannually, principal due through 2041		37,840	40,000
2011 Series C – 2.32% to 4.625% interest payable semiannually, principal due through 2041		44,630	—
2012 Series A – 0.375% to 4.25% interest payable semiannually, principal due through 2043		40,000	—

Single family mortgage programs		**2012**	**2011**
2012 Series B – 0.60% to 3.90% interest payable semiannually, principal due through 2043	$	59,900	—
Subtotal		979,792	1,116,191
Unaccreted premium, net of underwriters' discount		18,568	21,321
Subtotal single family mortgage programs, net bonds payable	$	998,360	1,137,512

Rental housing mortgage programs		**2012**	**2011**
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
2001 Series E&F Multi Family Housing Revenue – Manzano Mesa – 5.55% to 7.05% interest payable semiannually, principal due through 2034		—	9,165
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038		9,090	9,235
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038		8,600	8,745
2004 Series A&B Multi Family Risk Sharing – NM5 – 4.625% to 5.20% interest payable semiannually, principal due through 2039		8,565	8,830
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039		11,650	11,815
2004 Series E Multi Family Housing Revenue – Lafayette – 6.50% interest payable monthly, principal due through 2037		—	7,154
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040		10,425	10,575
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 5.68% interest payable semiannually, principal due through 2040		11,155	11,320
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.70% interest payable semiannually, principal due through 2040		3,880	3,940
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040		12,300	12,485

Rental housing mortgage programs		**2012**	**2011**
2006 A Multi Family Risk Sharing – Sunset View – 4.25% to 4.70% interest payable, semiannually, principal due through 2045	$	—	9,230
2007 A & B Multi-Family Risk Sharing – St. Anthony – 5.05% to 5.25% interest payable semiannually, principal due through 2042		5,675	5,745
2007 C & D Multi-Family Risk Sharing – NM Rainbow 7 – 5.85% to 10.00% interest payable semiannually, principal due through 2043		13,620	13,747
2008 A & B Multi-Family Risk Sharing – Villas de San Ignacio variable interest rate * 0.18% to 0.80% at September 30, 2012 payable monthly, principal due through 2043		8,520	8,520
2010 A & B Multi-Family – Villa Alegre Senior Housing – 5% interest payable semiannually, principal due through 2047		910	3,705
Subtotal		104,390	141,936
Unaccreted premium		212	238
Subtotal rental housing mortgage programs, net bonds payable	$	104,602	142,174

* Determined on a weekly basis until adjusted to reset rates or fixed rates

Capital debt		**2012**	**2011**
2005 General Revenue Office Building Refunding Bonds – 3.750% to 4.375% interest payable semiannually, principal due through 2026	$	2,120	2,230
Unamortized discount		(92)	(103)
Subtotal net capital bonds payable	$	2,028	2,127
Total bonds payable	$	1,086,302	1,260,357
Total unaccreted premium, net of unamortized discount		18,688	21,456
Total bonds payable, net	$	1,104,990	1,281,813

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, and 2012A through 2012B. 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 2012 and 2011 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 rollouts 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 bond issues under the NIBP Program during FY 2011. The final rollout under the NIBP program occurred during FY 2012 as follows:

- 2009/2011 Series C: issued $27.2 million of NIBP Program bonds and $18.2 million of market bonds to a total issuance of $45.4 million.

Since the Authority exhausted all of its NIBP allocation, it subsequently returned to issuing bonds under the General Indenture of Trust dated November 1, 2005. During FY 2012, the Authority issued the following two bond issues:

- $40 million Single Family Mortgage Program Class I Bonds, 2012 Series A Bonds

- $59.9 million Single Family Mortgage Program Class I Bonds 2012 Series B, $19.9 million of which in combination with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds 2002 Series F, 2003 Series A, 2003 Series B, 2003 Series C and 2003 Series D Bonds. The Authority realized an $8.0 million positive cash flow from this refunding and an economic gain of approximately $6.1 million.

During FY 2012, the Authority also undertook the following transactions:

- Nine single family bond issues were called, namely, 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. MBSs from all of the issues were sold. Proceeds from the sale in conjunction with other funds in the trust estates were used to pay off the bonds and any expenses. Net proceeds from the sale were deposited into the 2005 Master Indenture Surplus Fund for use in the furtherance of the single family bond program.

- 1994 Series D and 2002 Series E bonds were called in total utilizing moneys from the General Fund. MBSs from both programs were brought into the General Fund as an investment.

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 $40,000 at September 30, 2012 and $50,000 at September 30, 2011, 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, 2012 and 2011 consist of the following (in thousands):

		2012	2011
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
November 2011 Wells Fargo note bearing interest at 2.00% through November 2023		850	—
	$	1,500	650

The July 2005 and November 2011 Wells Fargo borrowings were 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, 2012 is as follows (in thousands):

	Bonds payable		Notes payable	
	Interest	**Principal**	**Interest**	**Principal**
Year(s) ending September 30:				
2013	$ 50,764	18,869	30	—
2014	50,068	20,452	30	—
2015	49,225	21,216	30	—
2016	48,316	22,175	28	650
2017	47,343	22,835	17	—
2018 – 2022	219,462	134,282	84	319
2023 – 2027	181,594	198,584	9	531
2028 – 2032	126,146	238,884	—	—
2033 – 2037	67,367	258,275	—	—
2038 – 2042	12,081	137,590	—	—
2043 – 2047	448	13,140	—	—
	852,814	1,086,302	228	1,500
Net unaccreted premium	—	18,688	—	—
	$ 852,814	1,104,990	228	1,500

(8) Accounts Payable and Accrued Expenses

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

	2012	**2011**
Vendor	$ 3,017	5,111
Employee benefits	243	296
Deferred revenue	1,383	1,253
	$ 4,643	6,660

(9) Noncurrent Liabilities and Compensated Absences

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2012 and 2011 is as follows (in thousands):

	October 1, 2011	Increases	Decreases	September 30, 2012	Current portion
Bonds payable, net	$ 1,281,813	148,408	(325,231)	1,104,990	18,869
Note payable	650	850	—	1,500	—
Accrued arbitrage rebate	743	30	(700)	73	—
Other noncurrent liabilities	218	8	—	226	—
Compensated absences	302	256	(251)	307	307
	$ 1,283,726	149,552	(326,182)	1,107,096	19,176

	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

(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 $567,000 and $228,000, respectively, for the year ended September 30, 2012. 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 Executive Director, Director of Human Resources, and Deputy Director of Finance and Administration have the authority to amend the plans.

(Continued)

(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, 2012 and 2011 (in thousands):

		2012	2011
Single family and multi-family programs as designated by the board	$	12,898	12,361
Future general operating budget, year-end September 30, 2012		9,237	9,166
Housing Opportunity Fund		81,405	77,030
Risk-sharing loss exposure		11,441	12,411
Federal and state housing programs administered by the authority		7,349	6,066
Total board-designated net assets	$	122,330	117,034

(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, 2012 and 2011, the Authority is committed to assume a risk of approximately $12,219,000 and $12,415,000 for 45 and 43 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, 2012. As of September 30, 2012 and 2011, the Authority is committed to assume a risk of approximately $122,000 and $123,000 for the one loan closed, respectively.

The Authority participates in a number of federal financial assistance programs. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures 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, 2012, 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, 2012.

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, 2012 and 2011, 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 five joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2012, these JPAs and MOUs were as follows:

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

(b) The Authority entered into a JPA with Department of Finance and Administration (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 was subject to reversion on June 30, 2011 to DFA for reversion to the State General Fund. The laws of 2008 appropriated $1,000,000 to the Authority through DFA to this project, $500,000 of which has been reverted to DFA for reversion to the State General Fund; the balance of $500,000 was subject to reversion on June 30, 2012 to DFA for reversion to the State General Fund.

(c) 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.

(d) The Authority entered into a Memorandum of Agreement (MOA) with the Department of Health in November 2011. The purpose of the agreement is to assist in the development of a Healthy Homes Strategic Plan for New Mexico, and assess housing conditions and implement interventions. The Authority has the responsibility for program operations. The MOA was effective November 28, 2011 and terminated August 31, 2012. The maximum amount to be reimbursed under the MOA is $128,000, 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 MOA.

(e) The Authority entered into a JPA with DFA in September 2012. The purpose of this agreement is for DFA to transfer funds to the Authority for the purpose of expending appropriated funds for affordable housing activities pursuant to the New Mexico Housing Trust Fund Act. The JPAs were effective September 27, 2012, and will terminate June 30, 2013. The estimated amount of the project is $3,000,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(16) 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, Stage Coach Apartments, LLC and La Nueva Querencia, LLC. During fiscal years 2012 and 2011, the Authority awarded $904,000 and $1,392,000, respectively, in grants and loans to Santa Fe Community Housing Trust. During fiscal years 2012 and 2011, the Authority also disbursed $1,361,000 and $3,152,000, respectively, in grants to Santa Fe Community Housing Trust and The Village Sage, LLC.

(17) Subsequent Events

The Authority has evaluated subsequent events from the period ended September 30, 2012 through January 4, 2013, the date at which the financial statements were available to be issued, and determined there are no items that require disclosure.

(18) Segment Financial Information

The Authority issues separate revenue bonds to finance the single family and multi-family mortgage financing programs. The investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary of financial information for each bond indenture is presented on the following pages. Management expects to be able to securitize single family mortgage loans to maturity with no funding requirement necessary from the Authority. The deficits in 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 2002 A & B that is secured by a delinquent mortgage loan that is not accruing interest income.

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

Notes to Financial Statements

September 30, 2012

(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		3	—	—	—	—	—	—
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—	—
Total current assets		3	—	—	—	—	—	—
Noncurrent assets:								
Restricted cash and cash equivalents		118	—	—	—	—	—	—
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		467	—	—	—	—	—	—
Unrealized gain on securitized mortgage loans		81	—	—	—	—	—	—
Total restricted securitized mortgage loans, net		548	—	—	—	—	—	—
Restricted mortgage loans, net		—	—	—	—	—	—	—
Bond issuance costs, net		2	—	—	—	—	—	—
Total noncurrent assets		668	—	—	—	—	—	—
Total assets	$	671	—	—	—	—	—	—
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	5	—	—	—	—	—	—
Accounts payable and other accrued expenses		—	—	—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—	—
Total current liabilities		5	—	—	—	—	—	—
Noncurrent liabilities:								
Bonds payable, net		285	—	—	—	—	—	—
Accrued arbitrage rebate		—	—	—	—	—	—	—
Total noncurrent liabilities		285	—	—	—	—	—	—
Total liabilities		290	—	—	—	—	—	—
Net assets restricted for debt service		381	—	—	—	—	—	—
Total liabilities and net assets	$	671	—	—	—	—	—	—

(Continued)

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Balance Sheets		Single Family Mortgage Programs					
Assets		**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**	**2001 Series D**
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		—	151	—	—	—	—
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		—	—	—	—	—	—
Unrealized gain on securitized mortgage loans		—	—	—	—	—	—
Total restricted securitized mortgage loans, net		—	—	—	—	—	—
Restricted mortgage loans, net		—	63	—	—	—	—
Bond issuance costs, net		—	25	—	—	—	—
Total noncurrent assets		—	239	—	—	—	—
Total assets	$	—	239	—	—	—	—
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	—	—	—	—	—	—
Accounts payable and other accrued expenses		—	1	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		—	1	—	—	—	—
Noncurrent liabilities:							
Bonds payable, net		—	52	—	—	—	—
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		—	52	—	—	—	—
Total liabilities		—	53	—	—	—	—
Net assets restricted for debt service		—	186	—	—	—	—
Total liabilities and net assets	$	—	239	—	—	—	—

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

Notes to Financial Statements

September 30, 2012

(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	$	—	—	—	—	—	—	—
Restricted investments, net		—	—	—	—	—	—	—
Accrued interest receivable		—	—	—	—	—	—	—
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—	—
Total current assets		—	—	—	—	—	—	—
Noncurrent assets:								
Restricted cash and cash equivalents		—	—	—	—	—	34	37
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		—	—	—	—	—	—	—
Unrealized gain on securitized mortgage loans		—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net		—	—	—	—	—	—	—
Restricted mortgage loans, net		—	—	—	—	—	—	—
Bond issuance costs, net		—	—	—	—	—	—	—
Total noncurrent assets		—	—	—	—	—	34	37
Total assets	$	—	—	—	—	—	34	37
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		—	—	—	—	—	34	37
Total liabilities and net assets	$	—	—	—	—	—	34	37

(Continued)

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

Notes to Financial Statements

September 30, 2012

(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	$	—	—	—	150	175	185	185
Restricted investments, net		—	—	—	—	—	—	—
Accrued interest receivable		—	—	—	28	33	35	42
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	(1)	(3)	(5)	(4)
Total current assets		—	—	—	177	205	215	223
Noncurrent assets:								
Restricted cash and cash equivalents		—	—	—	503	234	383	1,155
Restricted investments and reserve funds, net		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		—	—	—	6,204	7,380	7,866	7,276
Unrealized gain on securitized mortgage loans		—	—	—	583	677	627	709
Total restricted securitized mortgage loans, net		—	—	—	6,787	8,057	8,493	7,985
Restricted mortgage loans, net		—	—	—	—	—	—	—
Bond issuance costs, net		—	—	—	51	58	52	56
Total noncurrent assets		—	—	—	7,341	8,349	8,928	9,196
Total assets	$	—	—	—	7,518	8,554	9,143	9,419
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	—	—	—	28	89	90	110
Accounts payable and other accrued expenses		—	—	—	1	—	—	—
Current portion of bonds payable		—	—	—	150	175	185	185
Total current liabilities		—	—	—	179	264	275	295
Noncurrent liabilities:								
Bonds payable, net		—	—	—	6,366	7,191	7,750	8,100
Accrued arbitrage rebate		—	—	—	—	—	—	—
Total noncurrent liabilities		—	—	—	6,366	7,191	7,750	8,100
Total liabilities		—	—	—	6,545	7,455	8,025	8,395
Net assets restricted for debt service		—	—	—	973	1,099	1,118	1,024
Total liabilities and net assets	$	—	—	—	7,518	8,554	9,143	9,419

(Continued)

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

Notes to Financial Statements

September 30, 2012

(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	$	180	200	250	230	225	12,175
Restricted investments, net		—	—	—	—	—	—
Accrued interest receivable		43	37	45	51	48	2,999
Other current assets		—	—	—	—	—	—
Intra-entity receivable (payable)		(5)	(7)	(7)	—	(6)	(265)
Total current assets		218	230	288	281	267	14,909
Noncurrent assets:							
Restricted cash and cash equivalents		745	1,026	1,516	1,210	1,224	99,744
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		7,929	8,389	10,166	10,078	9,767	626,132
Unrealized gain on securitized mortgage loans		845	800	934	1,010	787	62,290
Total restricted securitized mortgage loans, net		8,774	9,189	11,100	11,088	10,554	688,422
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		56	65	81	76	78	5,727
Total noncurrent assets		9,575	10,280	12,697	12,374	11,856	793,893
Total assets	$	9,793	10,510	12,985	12,655	12,123	808,802
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	116	117	144	144	134	6,470
Accounts payable and other accrued expenses		—	—	—	—	—	12
Current portion of bonds payable		180	200	250	230	225	12,175
Total current liabilities		296	317	394	374	359	18,657
Noncurrent liabilities:							
Bonds payable, net		8,335	9,172	11,416	10,840	10,509	693,242
Accrued arbitrage rebate		—	—	—	—	—	73
Total noncurrent liabilities		8,335	9,172	11,416	10,840	10,509	693,315
Total liabilities		8,631	9,489	11,810	11,214	10,868	711,972
Net assets restricted for debt service		1,162	1,021	1,175	1,441	1,255	96,830
Total liabilities and net assets	$	9,793	10,510	12,985	12,655	12,123	808,802

(Continued)

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Balance Sheets	**Single Family Mortgage Programs**	
Assets	**2009 General Indenture**	**Total Single Family Mortgage Programs**
Current assets:		
Restricted cash and cash equivalents	$ 3,220	17,175
Restricted investments, net	—	—
Accrued interest receivable	729	4,093
Other current assets	—	—
Intra-entity receivable (payable)	(36)	(339)
Total current assets	3,913	20,929
Noncurrent assets:		
Restricted cash and cash equivalents	4,047	112,127
Restricted investments and reserve funds, net	—	—
Restricted securitized mortgage loans, net:		
Securitized mortgage loans, net cost	205,105	906,759
Unrealized gain on securitized mortgage loans	18,591	87,934
Total restricted securitized mortgage loans, net	223,696	994,693
Restricted mortgage loans, net	—	63
Bond issuance costs, net	1,276	7,603
Total noncurrent assets	229,019	1,114,486
Total assets	$ 232,932	1,135,415
Liabilities and Net Assets		
Current liabilities:		
Accrued interest payable	$ 645	8,092
Accounts payable and other accrued expenses	12	26
Current portion of bonds payable	3,220	17,175
Total current liabilities	3,877	25,293
Noncurrent liabilities:		
Bonds payable, net	207,927	981,185
Accrued arbitrage rebate	—	73
Total noncurrent liabilities	207,927	981,258
Total liabilities	211,804	1,006,551
Net assets restricted for debt service	21,128	128,864
Total liabilities and net assets	$ 232,932	1,135,415

(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
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$ 40	—	—	—	—	—	—
Interest on securities and temporary investments	—	—	—	—	—	—	—
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(14)	—	—	(66)	—	—	—
Loan and commitment fees	—	—	—	—	—	—	—
Administrative fees and other	(1)	—	—	—	—	—	—
Total operating revenues	25	—	—	(66)	—	—	—
Operating expenses:							
Interest	23	—	—	2	—	—	—
Amortization of bond issuance costs	1	—	—	5	—	—	—
Administrative fees and other	—	—	—	1	—	—	—
Total operating expenses	24	—	—	8	—	—	—
Operating income (loss)	1	—	—	(74)	—	—	—
Other financing sources (uses) – operating transfers	—	—	—	(2)	—	—	—
Change in net assets	1	—	—	(76)	—	—	—
Total net assets – beginning	380	—	—	76	—	—	—
Total net assets – ending	$ 381	—	—	—	—	—	—
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$ 201	—	—	461	—	—	—
Noncapital financing activities	(114)	—	—	(551)	—	—	—
Investing activities	—	—	—	1	—	—	—
Net increase (decrease)	87	—	—	(89)	—	—	—
Cash and cash equivalents, beginning of year	31	—	—	89	—	—	—
Cash and cash equivalents, end of year	$ 118	—	—	—	—	—	—

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

Notes to Financial Statements

September 30, 2012

(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	$	(41)	3	(62)	(67)	(45)	(65)
Interest on securities and temporary investments		2	—	—	—	—	1
Gain (loss) asset sale/debt extinguishment		404	—	432	415	384	485
Net increase (decrease) in fair value of investments		(503)	—	(437)	(432)	(417)	(481)
Loan and commitment fees		25	—	29	31	28	39
Administrative fees and other		(1)	—	(3)	(2)	(2)	(1)
Total operating revenues		(114)	3	(41)	(55)	(52)	(22)
Operating expenses:							
Interest		(42)	4	(64)	(68)	(45)	(64)
Amortization of bond issuance costs		23	10	27	29	27	37
Administrative fees and other		3	2	3	3	3	4
Total operating expenses		(16)	16	(34)	(36)	(15)	(23)
Operating income (loss)		(98)	(13)	(7)	(19)	(37)	1
Other financing sources (uses) – operating transfers		(886)	—	(1,119)	(783)	(778)	(941)
Change in net assets		(984)	(13)	(1,126)	(802)	(815)	(940)
Total net assets – beginning		984	199	1,126	802	815	940
Total net assets – ending	$	—	186	—	—	—	—
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$	2,979	11	3,191	3,425	3,110	3,921
Noncapital financing activities		(3,522)	(13)	(3,704)	(3,932)	(3,654)	(4,644)
Investing activities		434	—	468	466	430	530
Net increase (decrease)		(109)	(2)	(45)	(41)	(114)	(193)
Cash and cash equivalents, beginning of year		109	153	45	41	114	193
Cash and cash equivalents, end of year	$	—	151	—	—	—	—

(Continued)

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

Notes to Financial Statements

September 30, 2012

(In thousands)

		Single Family Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets		**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	$	(49)	(60)	(51)	(61)	150	252	259
Interest on securities and temporary investments		1	—	—	—	10	13	12
Gain (loss) asset sale/debt extinguishment		420	488	480	557	(34)	—	—
Net increase (decrease) in fair value of investments		(433)	(493)	(499)	(543)	(512)	(551)	(523)
Loan and commitment fees		31	35	35	41	39	7	7
Administrative fees and other		(1)	(1)	(1)	(2)	(9)	(10)	(16)
Total operating revenues		(31)	(31)	(36)	(8)	(356)	(289)	(261)
Operating expenses:								
Interest		(50)	(60)	(51)	(60)	156	253	263
Amortization of bond issuance costs		31	35	36	45	40	6	7
Administrative fees and other		3	3	3	3	—	2	2
Total operating expenses		(16)	(22)	(12)	(12)	196	261	272
Operating income (loss)		(15)	(9)	(24)	4	(552)	(550)	(533)
Other financing sources (uses) – operating transfers		(915)	(790)	(674)	(735)	(300)	(366)	(310)
Change in net assets		(930)	(799)	(698)	(731)	(852)	(916)	(843)
Total net assets – beginning		930	799	698	731	852	950	880
Total net assets – ending	$	—	—	—	—	—	34	37
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	3,129	3,847	3,931	4,719	5,028	5,610	6,132
Noncapital financing activities		(3,813)	(4,411)	(4,504)	(5,526)	(5,077)	(5,816)	(6,378)
Investing activities		458	520	525	613	10	13	13
Net increase (decrease)		(226)	(44)	(48)	(194)	(39)	(193)	(233)
Cash and cash equivalents, beginning of year		226	44	48	194	39	227	270
Cash and cash equivalents, end of year	$	—	—	—	—	—	34	37

(Continued)

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

Notes to Financial Statements

September 30, 2012

(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	$	281	389	224	314	350	365	400
Interest on securities and temporary investments		1	2	1	1	24	33	48
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(585)	(797)	(537)	(95)	(56)	(113)	(153)
Loan and commitment fees		8	8	8	23	22	20	20
Administrative fees and other		(10)	(26)	(8)	(9)	(20)	(21)	(22)
Total operating revenues		(305)	(424)	(312)	234	320	284	293
Operating expenses:								
Interest		309	404	264	343	336	357	432
Amortization of bond issuance costs		7	7	9	19	21	19	20
Administrative fees and other		2	2	2	—	—	—	—
Total operating expenses		318	413	275	362	357	376	452
Operating income (loss)		(623)	(837)	(587)	(128)	(37)	(92)	(159)
Other financing sources (uses) – operating transfers		(290)	(255)	(96)	90	—	—	—
Change in net assets		(913)	(1,092)	(683)	(38)	(37)	(92)	(159)
Total net assets – beginning		913	1,092	683	1,011	1,136	1,210	1,183
Total net assets – ending	$	—	—	—	973	1,099	1,118	1,024
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	6,819	10,060	5,661	2,119	1,665	2,364	2,920
Noncapital financing activities		(7,410)	(10,585)	(6,181)	(2,437)	(2,599)	(2,777)	(2,859)
Investing activities		1	1	1	1	26	34	44
Net increase (decrease)		(590)	(524)	(519)	(317)	(908)	(379)	105
Cash and cash equivalents, beginning of year		590	524	519	970	1,317	947	1,235
Cash and cash equivalents, end of year	$	—	—	—	653	409	568	1,340

(Continued)

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs 2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C	2005 General Indenture
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	443	442	555	522	511	31,108
Interest on securities and temporary investments		33	1	1	39	29	2,287
Gain (loss) asset sale/debt extinguishment		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(77)	(89)	(166)	(60)	(80)	(914)
Loan and commitment fees		15	19	19	18	16	1,419
Administrative fees and other		(20)	(30)	(29)	—	(25)	(1,288)
Total operating revenues		394	343	380	519	451	32,612
Operating expenses:							
Interest		456	452	561	548	473	31,809
Amortization of bond issuance costs		17	19	22	22	19	1,384
Administrative fees and other		—	1	1	1	1	77
Total operating expenses		473	472	584	571	493	33,270
Operating income (loss)		(79)	(129)	(204)	(52)	(42)	(658)
Other financing sources (uses) – operating transfers		—	75	—	—	—	9,995
Change in net assets		(79)	(54)	(204)	(52)	(42)	9,337
Total net assets – beginning		1,241	1,075	1,379	1,493	1,297	87,493
Total net assets – ending	$	1,162	1,021	1,175	1,441	1,255	96,830
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	$	2,257	2,743	3,638	2,575	2,706	115,955
Noncapital financing activities		(2,505)	(2,678)	(2,973)	(2,964)	(2,391)	(78,477)
Investing activities		36	1	1	37	30	2,078
Net increase (decrease)		(212)	66	666	(352)	345	39,556
Cash and cash equivalents, beginning of year		1,137	1,160	1,100	1,792	1,104	72,363
Cash and cash equivalents, end of year	$	925	1,226	1,766	1,440	1,449	111,919

(Continued)

(In thousands)

		Single Family Mortgage Programs	
Statements of Revenues, Expenses, and Changes in Net Assets		**2009 General Indenture**	**Total Single Family Mortgage Programs**
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	7,710	43,817
Interest on securities and temporary investments		106	2,645
Gain (loss) asset sale/debt extinguishment		—	4,031
Net increase (decrease) in fair value of investments		7,287	(2,339)
Loan and commitment fees		267	2,229
Administrative fees and other		(400)	(1,958)
Total operating revenues		14,970	48,425
Operating expenses:			
Interest		7,307	44,248
Amortization of bond issuance costs		213	2,157
Administrative fees and other		40	162
Total operating expenses		7,560	46,567
Operating income (loss)		7,410	1,858
Other financing sources (uses) – operating transfers		(317)	603
Change in net assets		7,093	2,461
Total net assets – beginning		14,035	126,403
Total net assets – ending	$	21,128	128,864
Condensed Statements of Cash Flows			
Net cash provided by (used in):			
Operating activities	$	(41,758)	169,419
Noncapital financing activities		(4,736)	(187,231)
Investing activities		106	6,878
Net increase (decrease)		(46,388)	(10,934)
Cash and cash equivalents, beginning of year		53,655	140,236
Cash and cash equivalents, end of year	$	7,267	129,302

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

Notes to Financial Statements

September 30, 2012

(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	$ —	—	—	—	—	155	150
Accrued interest receivable	—	—	—	—	—	2	38
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	—	—	—	—	—	157	188
Noncurrent assets:							
Restricted cash and cash equivalents	—	—	—	—	—	202	246
Note receivable	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	—	—	—	—	—	—	—
Restricted mortgage loans, net	—	—	—	—	—	8,266	8,108
Bond issuance costs, net	—	—	—	—	—	138	61
Total noncurrent assets	—	—	—	—	—	8,606	8,415
Total assets	$ —	—	—	—	—	8,763	8,603
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ —	—	—	—	—	133	37
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	155	150
Total current liabilities	—	—	—	—	—	288	187
Noncurrent liabilities:							
Bonds payable, net	—	—	—	—	—	9,076	8,450
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	—	—	—	—	—	9,076	8,450
Total liabilities	—	—	—	—	—	9,364	8,637
Net assets restricted for debt service	—	—	—	—	—	(601)	(34)
Total liabilities and net assets	$ —	—	—	—	—	8,763	8,603

(Continued)

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

Notes to Financial Statements

September 30, 2012

(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	$	280	175	—	165	170	60	195
Accrued interest receivable		37	52	—	46	48	15	50
Other current assets		—	—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—	—
Total current assets		317	227	—	211	218	75	245
Noncurrent assets:								
Restricted cash and cash equivalents		245	354	—	322	431	114	313
Note receivable		—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost		—	—	—	—	—	—	—
Unrealized gain securitized mortgage loans		—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net		—	—	—	—	—	—	—
Restricted mortgage loans, net		8,106	10,925	—	9,815	10,589	3,643	11,577
Bond issuance costs, net		169	65	—	39	87	—	146
Total noncurrent assets		8,520	11,344	—	10,176	11,107	3,757	12,036
Total assets	$	8,837	11,571	—	10,387	11,325	3,832	12,281
Liabilities and Net Assets								
Current liabilities:								
Accrued interest payable	$	36	52	—	45	46	15	50
Accounts payable and other accrued expenses		—	1	—	—	—	4	—
Current portion of bonds payable		280	175	—	165	170	60	195
Total current liabilities		316	228	—	210	216	79	245
Noncurrent liabilities:								
Bonds payable, net		8,285	11,475	—	10,261	10,985	3,838	12,151
Accrued arbitrage rebate		—	—	—	—	—	—	—
Total noncurrent liabilities		8,285	11,475	—	10,261	10,985	3,838	12,151
Total liabilities		8,601	11,703	—	10,471	11,201	3,917	12,396
Net assets restricted for debt service		236	(132)	—	(84)	124	(85)	(115)
Total liabilities and net assets	$	8,837	11,571	—	10,387	11,325	3,832	12,281

(Continued)

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

Notes to Financial Statements

September 30, 2012

(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	$ —	75	—	—	—	20	1,445
Accrued interest receivable	—	25	157	1	—	4	475
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	(7)	—	—	—	(7)
Total current assets	—	100	150	1	—	24	1,913
Noncurrent assets:							
Restricted cash and cash equivalents	—	204	—	—	—	39	2,470
Note receivable	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	—	—	—	—	—	—	—
Restricted mortgage loans, net	—	5,374	13,530	8,520	—	805	99,258
Bond issuance costs, net	—	—	—	—	—	—	705
Total noncurrent assets	—	5,578	13,530	8,520	—	844	102,433
Total assets	$ —	5,678	13,680	8,521	—	868	104,346
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$ —	24	157	1	—	4	600
Accounts payable and other accrued expenses	—	3	—	—	—	1	9
Current portion of bonds payable	—	75	134	—	—	20	1,579
Total current liabilities	—	102	291	1	—	25	2,188
Noncurrent liabilities:							
Bonds payable, net	—	5,627	13,486	8,520	—	869	103,023
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	—	5,627	13,486	8,520	—	869	103,023
Total liabilities	—	5,729	13,777	8,521	—	894	105,211
Net assets restricted for debt service	—	(51)	(97)	—	—	(26)	(865)
Total liabilities and net assets	$ —	5,678	13,680	8,521	—	868	104,346

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

Notes to Financial Statements

September 30, 2012

(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	$	—	—	102	—	134	306	443
Interest on securities and temporary investments		—	—	—	—	—	18	14
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	—
Loan and commitment fees		—	—	—	—	—	7	7
Administrative fees and other		—	—	(29)	—	(80)	(1)	—
Total operating revenues		—	—	73	—	54	330	464
Operating expenses:								
Interest expense		—	—	76	—	90	518	448
Amortization of bond issuance costs		—	—	—	—	—	9	4
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		—	—	5	—	—	369	77
Total operating expenses		—	—	81	—	90	896	529
Operating income (loss)		—	—	(8)	—	(36)	(566)	(65)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		—	—	(8)	—	(36)	(566)	(65)
Total net assets – beginning		—	—	8	—	36	(35)	31
Total net assets – ending	$	—	—	—	—	—	(601)	(34)
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	—	—	7,730	—	9,132	442	579
Noncapital financing activities		—	—	(7,903)	(1)	(9,444)	(682)	(593)
Investing activities		—	—	—	—	—	19	14
Net increase (decrease)		—	—	(173)	(1)	(312)	(221)	—
Cash and cash equivalents, beginning of year		—	—	173	1	312	578	396
Cash and cash equivalents, end of year	$	—	—	—	—	—	357	396

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

Notes to Financial Statements

September 30, 2012

(In thousands)

		Rental Housing Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net 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**
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	431	613	343	536	563	182	595
Interest on securities and temporary investments		23	26	—	18	25	—	17
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	—
Loan and commitment fees		7	10	—	9	9	3	10
Administrative fees and other		—	—	(73)	—	—	—	—
Total operating revenues		461	649	270	563	597	185	622
Operating expenses:								
Interest expense		447	635	333	547	557	184	604
Amortization of bond issuance costs		10	4	—	2	5	(1)	6
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		2	104	(46)	93	3	35	111
Total operating expenses		459	743	287	642	565	218	721
Operating income (loss)		2	(94)	(17)	(79)	32	(33)	(99)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		2	(94)	(17)	(79)	32	(33)	(99)
Total net assets – beginning		234	(38)	17	(5)	92	(52)	(16)
Total net assets – ending	$	236	(132)	—	(84)	124	(85)	(115)
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	677	781	7,454	686	723	240	776
Noncapital financing activities		(712)	(801)	(7,526)	(697)	(723)	(244)	(791)
Investing activities		23	26	—	18	24	—	17
Net increase (decrease)		(12)	6	(72)	7	24	(4)	2
Cash and cash equivalents, beginning of year		537	523	72	480	577	178	506
Cash and cash equivalents, end of year	$	525	529	—	487	601	174	508

(Continued)

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

Notes to Financial Statements

September 30, 2012

(In thousands)

		Rental Housing Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets		**2006 Series A**	**2007 Series A, B**	**2007 Series C, D**	**2008 Series A, B**	**2009 Series A**	**2010 Series A, B**	**Total Rental Housing Mortgage Programs**
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	$	—	296	883	17	—	69	5,513
Interest on securities and temporary investments		—	—	—	—	—	1	142
Net increase (decrease) in fair value of investments		—	—	—	—	—	—	—
Loan and commitment fees		—	5	—	—	—	10	77
Administrative fees and other		(40)	—	1	—	—	—	(222)
Total operating revenues		(40)	301	884	17	—	80	5,510
Operating expenses:								
Interest expense		(503)	297	883	17	—	62	5,195
Amortization of bond issuance costs		—	(1)	—	—	—	—	38
Provision (recovery) for loan losses		—	—	—	—	—	—	—
Administrative fees and other		(53)	2	7	—	—	(3)	706
Total operating expenses		(556)	298	890	17	—	59	5,939
Operating income (loss)		516	3	(6)	—	—	21	(429)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—	—
Change in net assets		516	3	(6)	—	—	21	(429)
Total net assets – beginning		(516)	(54)	(91)	—	—	(47)	(436)
Total net assets – ending	$	—	(51)	(97)	—	—	(26)	(865)
Condensed Statements of Cash Flows								
Net cash provided by (used in):								
Operating activities	$	9,190	362	1,011	17	—	2,832	42,632
Noncapital financing activities		(9,230)	(367)	(1,011)	(17)	—	(2,865)	(43,607)
Investing activities		—	—	—	—	—	1	142
Net increase (decrease)		(40)	(5)	—	—	—	(32)	(833)
Cash and cash equivalents, beginning of year		40	284	—	—	—	91	4,748
Cash and cash equivalents, end of year	$	—	279	—	—	—	59	3,915

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 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

	Single Family Mortgage Programs					
Assets	**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**	**2001 Series D**
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 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

(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		**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 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 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

(Continued)

(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 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 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

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 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)

Statements of Revenues, Expenses, and Changes in Net Assets		**Single Family Mortgage Programs**					
		2000 Series E	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**	**2001 Series D**
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)

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		**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)

(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)

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs 2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C	2005 General Indenture
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

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

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
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 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

(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	**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 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 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

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

Notes to Financial Statements

September 30, 2011

(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	$	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		646	49	413	713	545	527	455
Amortization of bond issuance costs		—	—	—	—	—	9	4
Provision (recovery) for loan losses		—	—	—	—	—	—	—
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)

(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		458	644	468	555	566	187	614
Amortization of bond issuance costs		11	4	—	1	5	(1)	6
Provision (recovery) for loan losses		—	—	—	—	—	—	—
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

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** 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		431	300	890	28	138	106	8,733
Amortization of bond issuance costs		—	(1)	—	—	—	—	38
Provision (recovery) for loan losses		—	—	—	—	(13)	—	(13)
Administrative fees and other		8	3	1	—	—	—	94
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

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, 2012

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	$ —	1,097,259	1,097,259
Rural Community Development Initiative	10.446	N/A	71,340	—	71,340
Total U.S. Department of Agriculture			71,340	1,097,259	1,168,599
U.S. Department of Housing and Urban Development:					
Mortgage Insurance – Homes (FHA) *	14.117	N/A	—	4,382,684	4,382,684
Housing Counseling Assistance Program	14.169	HC12-0841-003	139,669	—	139,669
Housing Finance Agencies Risk Sharing Program *	14.188	N/A	2,215,223	88,559,734	90,774,957
Section 8 Housing Choice Vouchers	14.195	NM800CC001	27,356,200	—	27,356,200
Training and Technical Assistance	14.227	NMHM00208	8,782	—	8,782
Community Development Block Grant (CDBG) pass-through State DFA	14.228	11-C-NR-1-06-G-102	25,000	—	25,000
Neighborhood Stabilization Program pass-through State DFA (a CDBG grant)	14.228	09-NSP-2-J-01	2,010,007	3,632,397	5,642,404
Emergency Solutions Grants Program	14.231	S-11-DC-35-0001	1,002,456	—	1,002,456
HOME Investment Partnerships Program	14.239	M-12-SG-35-0100	10,239,588	40,039,805	50,279,393
Housing Opportunities for Persons with AIDS	14.241	NMH012-F999	592,098	—	592,098
Rural Housing and Economic Development Program	14.250	RH-09-NM-I-0072	355,108	—	355,108
ARRA – Homelessness Prevention and Rapid Re-Housing Program * **	14.257	S-09-DY-35-0001	1,287,156	—	1,287,156
ARRA – Tax Credit Assistance Program* **	14.258	M-09-ES-35-0100	1,235,471	12,580,771	13,816,242
Emergency Homeowners Loan program pass-through from Neighborworks America	14.323	NA	71,397	—	71,397
Total U.S. Department of Housing and Urban Development			46,538,155	149,195,391	195,733,546
U.S. Department of the Treasury, pass-through from Neighborworks America National Foreclosure Mitigation Counseling	21.000	PL112-55:95X1350	72,907	—	72,907
U.S. Department of Energy:					
Weatherization Assistance for Low-Income Persons*	81.042	EE0000207	915,962	—	915,962
ARRA – Weatherization Assistance for Low-Income Persons Training Center * **	81.042	EE0004091	419,740	—	419,740
ARRA – Weatherization Assistance for Low-Income Persons * **	81.042	EE0000104	5,741,485	—	5,741,485
ARRA - Energy Efficiency and Conservation Block Grant Program pass-through from Santa Fe County **	81.128	DE-SC0002592	1,612	—	1,612
Total U.S. Department of Energy			7,078,799	—	7,078,799
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	12-630-9000-0016	1,953,231	—	1,953,231
Total federal awards			$ 55,714,432	150,292,650	206,007,082

* 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 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, 2012 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, 2012, the Authority recorded approximately $4,383,000 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 45 loans. HUD's assumed risk approximated $109,970,000 at September 30, 2012. Of the 45 loans closed, the Authority funded 32 loans with outstanding principal of $100,861,000 at September 30, 2012. HUD's assumed risk of loss of approximately $90,775,000 related to these 32 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, 2012, the loan had an outstanding principal of $1,219,000, of which the USDA assumed risk of loss of approximately $1,097,000 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.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

(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	$	71,340
U.S. Department of Housing and Urban Development:			
Housing Counseling Assistance Program	14.169		129,795
Section 8 Housing Choice Vouchers	14.195		26,277,469
Neighborhood Stabilization Program (a CDBG grant)	14.228		1,944,628
Community Development Block Grant (CDBG)	14.228		25,000
Emergency Solutions Grants Program	14.231		878,467
HOME Investment Partnerships Program	14.239		9,795,434
Housing Opportunities for Persons with AIDS	14.241		575,168
Rural Housing and Economic Development Program	14.250		340,421
ARRA – Homeless Prevention and Rapid Re-Housing Program*	14.257		1,287,156
ARRA – Tax Credit Assistance Program *	14.258		1,235,471
Emergency Homeowner's Loan Program	14.323		56,865
Total U.S. Department of Housing and Urban Development			42,545,874
U.S. Department of the Treasury:			
National Foreclosure Mitigation Counseling	21.000		68,282
U.S. Department of Energy:			
Weatherization Assistance Program for Low-Income Persons	81.042		870,362
ARRA – Weatherization Assistance Program for Low-Income Persons *	81.042		5,221,556
ARRA – Weatherization Assistance Program for Low-Income Persons Training Center*	81.042		293,771
			6,385,689
U.S. Department of Health and Human Services:			
Low-Income Home Energy Assistance Program	93.568		1,908,745
Total federal assistance awarded to subrecipients		$	50,979,930

* American Recovery and Reinvestment Act of 2009

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

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, 2012, and we have issued our report thereon dated January 4, 2013. 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*.

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

KPMG LLP

January 4, 2013

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, 2012. 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, 2012.

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 4, 2013

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

Summary Schedule of Prior Year Audit Findings

September 30, 2012

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 – *Resolved*

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
Mortgage Insurance – Homes (FHA)	14.117
Housing Finance Agencies Risk Sharing Program	14.188
ARRA – Homelessness 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
ARRA – Weatherization Assistance for Low-Income Persons Training Center	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, 2012

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

None

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, 2012

	CUSIP	Rate	Maturity		Bank balance	Book balance
Wells Fargo MFA Housing Programs deposit account and repurchase agreement				$	1,908,606	1,901,770
FDIC Insurance					(1,310,352)	
Uninsured public funds				$	598,254	
102% collateral requirement				$	610,219	
Collateral (at fair value):						
FNMA pooled security	3138M4SJ2	3.00%	8/1/2042	$	610,219	
Total collateral (at fair value)				$	610,219	
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, 2012

Exit Conference

An exit conference was conducted on December 10, 2012 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
Sharron Welsh	Finance Committee and Board Member
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
KPMG LLP	
Cynthia Reinhart	Partner
Jaime Clark	Senior Manager
New Mexico Office of the State Auditor	
Natalie Cordova	Financial Audit Director