



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

Financial Statements
and Single Audit Reports

September 30, 2013 and 2012

(With Independent Auditors' Reports Thereon)

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

Table of Contents

	Page
Board of Directors	1
Independent Auditors' Report	2
Management's Discussion and Analysis (Unaudited)	4
Financial Statements:	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Notes to Financial Statements	18
Single Audit Information:	
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79
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	81
Summary Schedule of Prior Year Audit Findings	84
Schedule of Findings and Questioned Costs	85
Other Required Disclosures:	
Schedule of Pledged Collateral for Public Funds	89
Exit Conference (unaudited)	90

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

Board of Directors

September 30, 2013 and 2012

Name	Title
Dennis Burt	Chairman
Angel Reyes	Vice Chairman
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
Randy McMillan	Member



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

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

Report on the Financial Statements

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, 2013 and 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the New Mexico Mortgage Finance Authority as of September 30, 2013 and 2012, and the respective changes in net position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 12 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, and schedule of pledged collateral for public funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards and the schedule of pledged collateral of public funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 basic 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 expenditures of federal awards and the schedule of pledged collateral for public funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
January 10, 2014

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

This section of the New Mexico Mortgage Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of financial position and changes in financial position for the fiscal years ended September 30, 2013, 2012, and 2011. 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 financial position and results of operations for the current and two most recent prior years are summarized below (in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents (unrestricted and restricted)	\$ 98,367	155,426	171,495
Investments (unrestricted and restricted)	55,640	50,319	42,075
Mortgage-backed securities and mortgage loans receivable	1,033,274	1,168,012	1,328,444
Total assets	1,202,750	1,391,229	1,564,577
Bonds payable	952,351	1,104,990	1,281,813
Total liabilities	965,473	1,120,447	1,301,833
Total net position	237,277	270,782	262,744
Total operating revenues	15,657	69,952	97,563
Total operating expenses	52,171	61,926	71,155
Operating income	(36,514)	8,026	26,408
Total nonoperating revenues	3,009	12	10
Change in net position	(33,505)	8,038	26,418

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

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

Financial Position

The net position of the Authority decreased \$33.5 million from September 30, 2012 to September 30, 2013 and increased \$8.0 million from September 30, 2011 to September 30, 2012. The following table is a condensed summary of net position at September 30, 2013, 2012, and 2011 (in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current assets	\$ 51,058	47,512	56,142
Noncurrent assets	<u>1,151,692</u>	<u>1,343,717</u>	<u>1,508,435</u>
Total assets	<u>1,202,750</u>	<u>1,391,229</u>	<u>1,564,577</u>
Liabilities:			
Current liabilities	31,499	32,527	41,034
Noncurrent liabilities	<u>933,974</u>	<u>1,087,920</u>	<u>1,260,799</u>
Total liabilities	<u>965,473</u>	<u>1,120,447</u>	<u>1,301,833</u>
Net position:			
Invested in capital assets, net of related debt	(672)	(575)	(456)
Restricted	87,896	128,114	126,077
Restricted for land title trust and housing trust	24,512	20,913	20,089
Unrestricted	<u>125,541</u>	<u>122,330</u>	<u>117,034</u>
Total net position	<u>\$ 237,277</u>	<u>270,782</u>	<u>262,744</u>

Comparison of Years Ended September 30, 2013 and 2012

The decrease in cash and cash equivalents of \$57.1 million reflects a reduction in restricted cash related to bond financing for the Single Family Mortgage Program and is indicative of more timely bond program redemptions related to prepayments and excess revenues from securitized mortgage loans as well as new bond structures with monthly and quarterly call provisions, thus providing better liquidity management in relation to the single family bond program. The Authority purchased \$103.3 million in Mortgage Backed Securities (MBS) and \$13.4 million in whole loans during the year; however, MBS and whole loan purchases were offset by MBS prepayments of \$188.1 million and whole loan prepayments of \$1.0 million, reflected in the \$134.7 million net decrease of MBS and mortgage loans receivable. The \$5.3 million increase in investments is primarily attributed to the \$3.0 million investment of the Housing Trust Fund appropriation received from the State of New Mexico in the State Investment Council portfolio. The overall effect of these elements resulted in the 13.6% decrease in total assets. Over the past year, the Authority experienced a \$152.6 million net decrease in bonds payable. Proceeds from the issuance and sale of bonds and notes payable were \$102.0 million; bond repayments and refundings totaled \$249.7 million, resulting in the net decrease for the year. The Authority received \$197.7 million in repayments, including prepayments, of securitized mortgage loans and \$9.9 million of whole loan and down payment assistance loan repayments during the year.

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

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

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 (HFAs) referred to as the New Issue Bond Program (NIBP). The Authority was originally allocated \$155 million for use in the Single Family Mortgage 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.

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

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

Change in Financial Position

The Authority's operating income for the year decreased by approximately \$44.5 million when compared to fiscal year 2012. The following table is a condensed summary of changes in net position for the years ended September 30, 2013, 2012, and 2011 (in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Interest on loans and MBS	\$ 45,875	53,422	62,992
Interest on securities and investments	4,176	4,434	5,260
Program revenues	1,314	1,626	1,634
Net (decrease) increase in fair value of investments	(40,916)	(1,723)	23,050
Loan and commitment fees	2,312	2,332	1,981
Administrative fees and other revenues	2,896	9,861	2,646
	<u>15,657</u>	<u>69,952</u>	<u>97,563</u>
Total operating revenues			
Operating expenses:			
Interest expense	42,199	49,648	59,561
Administrative fees and other expenses	9,972	12,278	11,594
	<u>52,171</u>	<u>61,926</u>	<u>71,155</u>
Total operating expenses			
Operating (loss) income	<u>(36,514)</u>	<u>8,026</u>	<u>26,408</u>
Nonoperating revenues (expenses):			
Grant award income	47,174	57,690	85,932
Grant award expense	(47,174)	(57,690)	(85,932)
State appropriations	3,000	—	—
Land title trust contributions	9	12	12
Land title trust grant distributions	—	—	(2)
	<u>3,009</u>	<u>12</u>	<u>10</u>
Change in net position	(33,505)	8,038	26,418
Total net position, beginning of year	<u>270,782</u>	<u>262,744</u>	<u>236,326</u>
Total net position, end of year	<u>\$ 237,277</u>	<u>270,782</u>	<u>262,744</u>

Comparison of Years Ended September 30, 2013 and 2012

The change in fair value of securities for 2013 was a decrease of \$40.9 million compared to a decrease of \$1.7 million in 2012. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2013 compared to their fair value at September 30, 2012 due to an increase in market interest rates of approximately 0.81% at September 30, 2013 compared to September 30, 2012, which was partially offset by a decrease in securitized mortgage loans at September 30, 2013 of \$98.2 million compared to September 30, 2012. As required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31), we account for investments in securitized mortgage loans at fair value. These MBS serve as collateral for the single family bonds

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

issued by MFA and provide the revenue source to repay these debt obligations and legally MFA cannot sell/trade the related securities until the bonds are paid in full. The Authority's rating agencies do not include GASB 31 valuation adjustments in their analysis of the HFAs performance. Without the required GASB No. 31 adjustment, the operating income for the period decreased \$5.3 million compared to prior year.

Operating revenues decreased \$54.3 million from 2012 to 2013; however, without the required GASB No. 31 adjustment operating revenues were \$15.1 million less than in 2012. 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 \$7.5 million in the current year. The Authority experienced a decrease of \$7.0 million for administrative fees and other income due to nonrecurring investment gains related to an MBS sale transaction in 2012, and lower realized market value gains on investments in the State Investment Council Funds Program. In addition, Federal housing program administrative fees decreased due to funding cuts. Lastly, the impact of decreased loan production and related bond issuance over the last several years, coupled with increased MBS prepayments continue to negatively impact bond program administrative fees generated. In 2013, nonoperating revenues increased by \$3.0 million in comparison to 2012 due to the recognition of a Housing Trust Fund appropriation received from the State of New Mexico in 2013.

Operating expenses decreased by \$9.8 million in 2013, approximately 16%, primarily due to decreased interest expense of \$7.4 million associated with bond redemptions due to prepayments which increased by 15% during this fiscal year.

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. 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, operating income increased \$6.4 million compared to prior year.

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 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 prior 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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

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.

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, the legal authority to issue tax exempt bonds, while managing risk and responding to changing capital markets. The Authority evaluates other financing structures and asset/liability management strategies as needed to maximize earnings in both the long and short term. This includes using existing liquidity to warehouse loans in order to minimize bond acquisition fund negative arbitrage, utilizing pass-through bond structures, 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 to determine 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 reviews and monitors 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 2013, the Authority issued \$91.2 million of Single Family Mortgage Program revenue bonds of which approx. \$11.2 million was a bond refunding transaction. This is \$57.2 million less than the \$148.4 million issued in 2012. MFA did sell \$42.2 million of single family first-time homebuyer mortgages into its To-Be-Announced (TBA) program during the course of the year. The TBA program provides a funding mechanism for the Single Family Mortgage Program when a bond execution is not viable. Rather than funding the single family loans through bonds, the related MBS are sold into the secondary market. The current interest rate environment continues to limit 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. The TBA program has become an integral funding execution for the Single Family Mortgage Program. During the course of this fiscal year, bond issues and mortgage rates were subsidized using zero participations generated through the NIBP program and refunding bond issues. Due to utilization of pass-through bond structures, improved timing of redeeming bonds with cash received from prepayments and the continuous lending loan origination model, negative arbitrage expenses decreased approximately \$0.2 million this fiscal year in comparison to 2012. The Authority redeemed \$242.4 million of Single Family Mortgage Program bonds due to repayments, compared to \$280.9 million in 2012.

During fiscal year 2012, the Authority issued \$148.4 million of Single Family Mortgage 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 2012. 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 Mortgage 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 and began utilizing pass-through bond structures, negative arbitrage expenses did increase approximately \$0.5 million this fiscal year in comparison to 2012 related to bond acquisition funds from traditionally structured

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

bond issues. The Authority redeemed \$280.9 million of Single Family Mortgage Program bonds due to repayments, compared to \$299.7 million in 2011.

During fiscal year 2013, the Authority issued \$7.5 million in Rental Housing Bonds, while in 2012 there were no rental housing bonds issued. In 2013, \$6.3 million of Rental Housing Bonds were redeemed due to repayments compared to \$37.5 million in 2012.

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 Mortgage Program, administration of Federal affordable housing programs and investment income are the main sources of revenues. During 2013, 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 Mortgage 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 Mortgage 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. During 2013, S&P revised the outlook from negative to stable. As a result of the initial 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, the majority of the Authority's single family bond programs currently reflect the United States government rating of AA+ with a stable 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 Mortgage 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 Mortgage 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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

The Authority's investments outside of the Single Family Mortgage Programs are conservative, and include the AAAM rated New Mexico State Treasurer's Office Local Government Investment Pool and internal loan warehousing for short-term investments, highly liquid and marketable intermediate-term Treasury and Agency obligations, 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 also invested 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% serving as a good intermediate term investment option for the Authority. During this fiscal year, the Treasury and Agency obligations provided yields of 1.3%. Investments in the State Investment Council Investment Funds Program experienced \$0.2 million in fair market value losses in comparison to 2012 when fair market value gains were \$1.9 million. There continues to be extreme market volatility as evidenced by this year over year fluctuation. The overall rate of return on the Authority's State Investment Council Investment Funds Program long-term portfolio for 2013 was 3.8%.

Moving into the new year, the Authority expects to face continued challenges in funding the Single Family Mortgage 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 and are not in need of down payment assistance, 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 will continue to use pass-through bond structures, 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 TBA market will be utilized to fund some Single Family Mortgage 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 across the country 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.

Market interest rates have an effect on both the Single Family Mortgage Programs and investment income revenues. If interest rates continue at current levels, the Authority expects single family bond program administrative fees and investment income to decrease slightly. If interest rates rise, the Authority expects single family bond program administrative fees 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 bond program administrative fees 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. The Authority anticipates that federal funding levels for affordable housing programs are still at risk and could continue to decline, thus decreasing administrative fee income related to those programs.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

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)

Statements of Net Position
September 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents (note 2):		
Unrestricted	\$ 21,791	20,720
Restricted	17,380	20,109
Total cash and cash equivalents	39,171	40,829
Accrued interest receivable	4,538	5,173
Other current assets	1,773	1,510
Total current assets	45,482	47,512
Noncurrent assets:		
Restricted cash and cash equivalents (note 2)	59,196	114,597
Investments (note 2):		
Restricted investments	11,929	9,187
Unrestricted investments	43,078	39,950
Unrealized gain on restricted and unrestricted investments	633	1,182
Total investments, net	55,640	50,319
Restricted securitized mortgage loans, net (notes 2 and 3):		
Securitized mortgage loans, net	808,574	906,759
Unrealized gain on securitized mortgage loans	47,567	87,934
Restricted securitized mortgage loans, net	856,141	994,693
Mortgage loans, net (note 3):		
Restricted mortgage loans, net	101,947	99,322
Restricted trust funds mortgage loans, net	11,108	10,273
Unrestricted mortgage loans, net	64,078	63,724
Total mortgage loans, net	177,133	173,319
Bond issuance costs, net	7,058	8,365
Capital assets, net (note 4)	1,253	1,453
Intangible assets	93	145
Other noncurrent assets	754	826
Total noncurrent assets	1,157,268	1,343,717
Total assets	\$ 1,202,750	1,391,229

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

Statements of Net Position
September 30, 2013 and 2012

(In thousands)

Liabilities and Net Position	2013	2012
Current liabilities:		
Accrued interest payable	\$ 6,595	8,708
Accounts payable and other accrued expenses (note 8)	4,392	4,643
Compensated absences (note 9)	326	307
Current portion of bonds payable (notes 5, 7, and 9)	20,186	18,869
Total current liabilities	31,499	32,527
Noncurrent liabilities (note 9):		
Bonds payable, net (notes 5 and 7)	932,165	1,086,121
Notes payable (notes 6 and 7)	1,500	1,500
Accrued arbitrage rebate	78	73
Other noncurrent liabilities	231	226
Total noncurrent liabilities	933,974	1,087,920
Total liabilities	965,473	1,120,447
Commitments and contingencies (note 13)		
Net position:		
Net investment in capital assets	(672)	(575)
Restricted for debt service	86,928	128,114
Restricted for land title trust and housing trust	24,512	20,913
Unrestricted (note 12)	126,509	122,330
Total net position	237,277	270,782
Total liabilities and net position	\$ 1,202,750	1,391,229

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 Position

Years ended September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Interest on mortgage loans and securitized mortgage loans	\$ 45,875	53,422
Interest on securities and investments	4,176	4,434
Net decrease in fair value of investments	(40,916)	(1,723)
Housing program income	952	1,270
Program servicing fees	362	356
Loan and commitment fees	2,312	2,332
Administrative fees and other revenues	2,896	9,861
Total operating revenues	<u>15,657</u>	<u>69,952</u>
Operating expenses:		
Interest expense	42,199	49,648
Amortization of bond issuance costs	2,085	2,202
Provision for loan losses	(161)	1,695
Administrative and other expenses	8,048	8,381
Total operating expenses	<u>52,171</u>	<u>61,926</u>
Operating (loss) income	<u>(36,514)</u>	<u>8,026</u>
Nonoperating revenues (expenses):		
Grant income	47,174	57,690
Grant expense	(47,174)	(57,690)
State Appropriation	3,000	—
Land title trust contributions	9	12
Total nonoperating revenues	<u>3,009</u>	<u>12</u>
Change in net position	(33,505)	8,038
Total net position, beginning of year	<u>270,782</u>	<u>262,744</u>
Total net position, end of year	<u>\$ 237,277</u>	<u>270,782</u>

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, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Purchase of loans	\$ (13,417)	(10,109)
Receipts of loan repayments	9,910	42,478
Loan and commitment fees	1,273	1,156
Mortgage interest received	51,116	59,282
Purchase of securitized mortgage loans	(103,343)	(105,972)
Principal repayment of securitized mortgage loans	197,719	226,081
Receipts for services	3,607	5,959
Payments to employees for services	(5,211)	(5,251)
Payments to suppliers of goods or services	(2,828)	(3,127)
Other receipts (payments)	726	(35)
Net cash flows from operating activities	<u>139,552</u>	<u>210,462</u>
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds and notes payable	101,973	215,072
Repayment and refunding of bonds and notes payable	(249,689)	(385,463)
Loss on extinguishment of debt	—	(407)
Payment of interest on bonds and notes	(49,031)	(57,767)
Payment of arbitrage rebate, net	5	(431)
Payment for bond issuance costs	(779)	(1,092)
State Appropriations	3,000	—
Receipt of grant income	47,277	59,512
Payment of grant to subrecipients	(47,277)	(59,512)
Contributions to land title trust	9	12
Net cash flows from noncapital financing activities	<u>(194,512)</u>	<u>(230,076)</u>
Cash flows from capital financing activities:		
Purchases of capital assets	(31)	(37)
Proceeds from the sale of capital assets	1	136
Repayment of capital debt	(115)	(110)
Payment for interest on capital debt	(88)	(92)
Net cash flows from capital financing activities	<u>(233)</u>	<u>(103)</u>
Cash flows from investing activities:		
Purchase of other real estate owned	(39)	—
Payments for operation and sale of foreclosed property	—	(18)
Purchase of investments	(74,154)	(79,999)
Proceeds from maturity and sale of investments	69,104	80,627
Investment interest income	3,223	3,038
Net cash flows from investing activities	<u>(1,866)</u>	<u>3,648</u>
Net decrease in cash and cash equivalents	(57,059)	(16,069)
Cash and cash equivalents, beginning of year	<u>155,426</u>	<u>171,495</u>
Cash and cash equivalents, end of year	<u>\$ 98,367</u>	<u>155,426</u>
Current cash and cash equivalents	\$ 39,171	40,829
Noncurrent cash and cash equivalents	<u>59,196</u>	<u>114,597</u>
Cash and cash equivalents, end of year	<u>\$ 98,367</u>	<u>155,426</u>

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

Statements of Cash Flows

Years ended September 30, 2013 and 2012

(In thousands)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	\$ (36,514)	8,026
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net decrease in the fair value of investments	40,916	1,723
Amortization of bond issuance costs	2,085	2,202
Amortization of deferred commitment fees	(2,312)	(2,332)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums	2,390	5,171
Loss (gain) on sale of assets	108	(6,838)
Depreciation and amortization expense	282	272
Provision of loan losses	(161)	1,695
Investment interest income	(4,176)	(4,434)
Interest on bonds and notes payable	42,199	49,648
Changes in assets and liabilities:		
Accrued interest receivable on securitized mortgage loans and mortgage loans	538	690
Other current assets	263	2,972
Other noncurrent assets	72	56
Accounts payable and other accrued expenses	(251)	(2,017)
Compensated absences	19	5
Other noncurrent liabilities	5	8
Securitized mortgage loans, net cost	97,731	119,481
Mortgage loans	(3,642)	34,134
Net cash flows from operating activities	\$ 139,552	210,462
Supplemental disclosure:		
Other real estate acquired through foreclosure	\$ 35	—

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2013 and 2012

(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 Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. As such, the Trust is determined to be a blended component unit as defined by Governmental Accounting Standards Board (GASB) Statement No. 39 *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34*.

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 and No. 61.

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*.

Effective October 1, 2012, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements* (GASB No. 62), which supersedes GASB No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The adoption of GASB No. 62 had no impact on the Authority’s proprietary fund accounting policies.

In fiscal year 2013, the Authority adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). GASB No. 63 requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact

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

Notes to Financial Statements

September 30, 2013 and 2012

resulting from the implementation of GASB 63 in the Authority's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement from "Balance Sheets" to "Statement of Net Position."

(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 18 for segment financial statements.
- General Accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners programs, Build It! Loan Guaranty program, and several down payment assistance programs.
- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:

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

Notes to Financial Statements

September 30, 2013 and 2012

- *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 onetime 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.
- *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.
- *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.

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

Notes to Financial Statements

September 30, 2013 and 2012

- *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 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).
- *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 (LTF)* – 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 LTF. 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.

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

Notes to Financial Statements

September 30, 2013 and 2012

(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 position 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 position 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, 2013 and 2012 were \$5.7 million and \$5.9 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.

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

Notes to Financial Statements

September 30, 2013 and 2012

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 \$105,000 and \$109,000 as of September 30, 2013 and 2012, 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 placed on nonaccrual 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).

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

Notes to Financial Statements

September 30, 2013 and 2012

(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 rebated to the U.S. Treasury Department.

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

(q) *Advances on Revenue*

Advances on revenue consist primarily of advances from contracts and grants. Revenues are recognized when all applicable eligibility requirements have been met. Advances on revenue are reflected in current liabilities in the accompanying statement of net position.

(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 Position*

Net position is classified as follows:

Net investments in capital assets represent 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

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

Notes to Financial Statements

September 30, 2013 and 2012

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 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.

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.

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

Notes to Financial Statements

September 30, 2013 and 2012

(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):

	2013	2012
Cash on deposit at financial institution	\$ 7,653	7,549
Cash on deposit at New Mexico State Treasurer	10,131	10,290
Cash equivalents not considered deposits:		
Money market accounts	22	19
Money market funds	40,523	92,250
Repurchase agreements	5,275	4,351
Guaranteed investment contracts	34,763	40,967
	\$ 98,367	155,426

(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

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

Notes to Financial Statements

September 30, 2013 and 2012

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, 2013 and 2012, the Authority's bank balance was \$7,836,000 and \$7,749,000, respectively. Of this amount at September 30, 2013 and 2012, \$272,000 and \$7,749,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2013 and 2012 are \$2,873,000 and \$0, respectively. Management does not believe the remaining \$4,691,000 is subject to custodial credit risk.

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 EnergySavers Programs. New Mexico statutes require financial institutions to pledge qualifying collateral to the Authority to cover at least 50% of uninsured deposits. All collateral is held by third parties in safekeeping. Additionally, 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, 2013 and 2012, the Authority had \$2,450,000 and \$1,909,000, 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

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

Notes to Financial Statements

September 30, 2013 and 2012

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, 2013 and 2012 (in thousands):

		September 30, 2013					
Investment type	Fair value	Investment maturities (in years)				Not available	
		Less than 1	1-5	6-10	More than 10		
Money market funds	\$ 40,523	40,523	—	—	—	—	
Repurchase agreements	5,275	5,275	—	—	—	—	
Guaranteed investment contracts	34,763	32,078	78	—	2,607	—	
Internal state investment pools:							
State Treasurer	10,131	10,131	—	—	—	—	
State Investment Council	31,255	—	—	—	—	31,255	
U.S. agencies	11,893	2,033	9,860	—	—	—	
Securitized mortgage loans:							
Unrestricted	7,733	—	—	—	7,733	—	
Restricted	856,141	—	30	—	856,111	—	
	<u>\$ 997,714</u>	<u>90,040</u>	<u>9,968</u>	<u>—</u>	<u>866,451</u>	<u>31,255</u>	

		September 30, 2012					
Investment type	Fair value	Investment maturities (in years)				Not available	
		Less than 1	1-5	6-10	More than 10		
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	
	<u>\$ 1,188,952</u>	<u>145,168</u>	<u>8,247</u>	<u>58</u>	<u>2,553</u>	<u>1,032,926</u>	

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

Notes to Financial Statements

September 30, 2013 and 2012

The following tables provide information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2013 and 2012 (in thousands):

September 30, 2013							
Investment type	Fair value	AAA	AA	A	U.S. government guaranteed	Not rated	Not available
Money market funds	\$ 40,523	40,523	—	—	—	—	—
Repurchase agreements	5,275	—	—	—	—	5,275	—
Guaranteed investment contracts	34,763	556	32,547	1,660	—	—	—
Internal state investment pools:							
State Treasurer	10,131	10,131	—	—	—	—	—
State Investment Council	31,255	—	—	—	—	—	31,255
U.S. agencies	11,893	—	11,893	—	—	—	—
Securitized mortgage loans:							
Unrestricted	7,733	—	—	—	7,733	—	—
Restricted	856,141	—	176,414	—	679,727	—	—
	<u>\$ 997,714</u>	<u>51,210</u>	<u>220,854</u>	<u>1,660</u>	<u>687,460</u>	<u>5,275</u>	<u>31,255</u>

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	—	—
	<u>\$ 1,188,952</u>	<u>102,897</u>	<u>293,287</u>	<u>1,683</u>	<u>758,203</u>	<u>4,370</u>	<u>28,512</u>

(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 statement of net position as of September 30, 2013 and 2012, respectively: Ginnie Mae 76% and 73%, and Fannie Mae 20% and 23%.

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

Notes to Financial Statements

September 30, 2013 and 2012

(3) Mortgage Loans

Mortgage loans reflected in the statement of net position consist of the following as of September 30 (in thousands):

	2013	2012
Total mortgage loan principal outstanding	\$ 181,451	178,439
Less:		
Allowance for mortgage loan losses	(2,648)	(3,380)
Deferred origination and commitment fees	(1,670)	(1,740)
Mortgage loans, net	\$ 177,133	173,319

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

	2013	2012
Beginning balance	\$ 3,380	2,310
Provision for loan losses	(161)	1,695
Loans written off net of recoveries	(571)	(625)
Ending balance	\$ 2,648	3,380

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	0.00% 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 2.75% and 9.37%. At September 30, 2013 and 2012, deferred commitment fees of \$7,143,000 and \$8,112,000, respectively, have been netted with securitized mortgage loans, which are ultimately recorded at estimated fair value.

As of September 30, 2013 and 2012, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$36,000 and \$125,000, respectively. As of September 30, 2013 and 2012, mortgage loans' total delinquent aggregate principal balances are approximately \$7,169,000 and \$7,713,000, respectively.

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

Notes to Financial Statements

September 30, 2013 and 2012

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):

	2013	2012
Southwest Neighborhood Housing Services	\$ 538	562
State of New Mexico Severance Tax Permanent Fund	1	23
Isleta Pueblo	2,111	1,742
AFL-CIO	2,956	2,991
Fannie Mae Loans	18,290	18,493
Habitat for Humanity/Valencia County	36	39
Ginnie Mae Loans	989	1,176
Southwest Community Resources	28	30
Superior Mortgage	7	7
Wallick & Volk, Inc.	13	13
Hometruster	32	17
City of Albuquerque	1,477	—
	\$ 26,478	25,093

(4) Capital Assets

Changes in capital assets during 2013 and 2012 were as follows (in thousands):

	October 1, 2012	Additions	Dispositions	September 30, 2013
Land (nondepreciable)	\$ 512	—	—	512
Building and improvements	3,041	—	—	3,041
Furniture and equipment	1,807	30	(31)	1,806
Total capital assets	5,360	30	(31)	5,359
Less accumulated depreciation:				
Building and improvements	(2,406)	(89)	—	(2,495)
Furniture and equipment	(1,501)	(141)	31	(1,611)
Total accumulated depreciation	(3,907)	(230)	31	(4,106)
Capital assets, net	\$ 1,453	(200)	—	1,253

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

Notes to Financial Statements

September 30, 2013 and 2012

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

(5) Bonds Payable

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

<u>Single family mortgage programs</u>	<u>2013</u>	<u>2012</u>
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	\$ 130	285
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018	—	52
2003 Series E – 4.20% to 5.89% interest payable semiannually, principal due through 2034	—	6,375
2004 Series A – 3.55% to 5.29% interest payable semiannually, principal due through 2034	—	7,210
2004 Series B – 3.80% to 4.75% interest payable semiannually, principal due through 2035	5,995	7,745
2004 Series C – 4.40% to 5.65% interest payable semiannually, principal due through 2035	5,685	8,080
2004 Series D – 4.65% to 6.15% interest payable semiannually, principal due through 2035	6,960	8,340
2004 Series E – 4.25% to 5.50% interest payable semiannually, principal due through 2035	6,705	9,150
2005 Series A – 4.20% to 5.50% interest payable semiannually, principal due through 2036	7,730	11,415
2005 Series B – 4.50% to 6.10% interest payable semiannually, principal due through 2036	7,970	10,880
2005 Series C – 3.875% to 5.85% interest payable semiannually, principal due through 2037	7,935	10,445

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

Notes to Financial Statements

September 30, 2013 and 2012

Single family mortgage programs	2013	2012
2005 Series D – 4.05% to 5.85% interest payable semiannually, principal due through 2037	\$ 10,930	14,320
2006 Series A – 4.375% to 5.95% interest payable semiannually, principal due through 2037	16,125	22,550
2006 Series B – 4.30% to 5.90% interest payable semiannually, principal due through 2037	12,390	18,355
2006 Series C – 4.10% to 6.15% interest payable semiannually, principal due through 2037	14,220	21,260
2006 Series D – 4.25% to 6.00% interest payable semiannually, principal due through 2037	13,500	20,200
2006 Series E – 4.35% to 6.05% interest payable semiannually, principal due through 2038	12,545	19,195
2006 Series F – 4.20% to 6.15% interest payable semiannually, principal due through 2038	19,370	28,675
2007 Series A – 4.25% to 5.75% interest payable semiannually, principal due through 2038	14,325	23,810
2007 Series B – 3.75% to 6.00% interest payable semiannually, principal due through 2039	33,300	46,055
2007 Series C – 4.875% to 5.92% interest payable semiannually, principal due through 2039	19,420	30,975
2007 Series D – 5.00% to 6.27% interest payable semiannually, principal due through 2039	23,360	35,080
2007 Series E – 4.90% to 6.35% interest payable semiannually, principal due through 2039	25,705	34,110
2008 Series A – 3.75% to 5.60% interest payable semiannually, principal due through 2039	22,325	30,270
2008 Series B – 4.55% to 6.375% interest payable semiannually, principal due through 2039	14,395	20,235
2008 Series C – 4.65% to 6.95% interest payable semiannually, principal due through 2039	10,625	19,110
2008 Series D – 3.45% to 5.50% interest payable semiannually, principal due through 2039	22,950	36,525
2009 Series A – 2.875% to 6.00% interest payable semiannually, principal due through 2039	12,115	16,650
2009 Series B – 2.35% to 5.65% interest payable semiannually, principal due through 2039	27,530	35,365
2009 Series C – 2.65% to 5.70% interest payable semiannually, principal due through 2040	32,850	42,990
2009 Series D – 2.10% to 5.35% interest payable semiannually, principal due through 2040	29,615	39,135
2009 Series E – 2.10% to 5.30% interest payable semiannually, principal due through 2040	30,660	38,115
2010 Series A – 3.01% to 4.625% interest payable semiannually, principal due through 2040	50,425	59,730

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

Notes to Financial Statements

September 30, 2013 and 2012

Single family mortgage programs	2013	2012
2011 Series A – 3.55% to 5.35% interest payable semiannually, principal due through 2041	\$ 54,265	64,735
2011 Series B – 2.77% to 5.00% interest payable semiannually, principal due through 2041	32,405	37,840
2011 Series C – 2.32% to 4.625% interest payable semiannually, principal due through 2041	40,355	44,630
2012 Series A – 0.375% to 4.25% interest payable semiannually, principal due through 2043	37,445	40,000
2012 Series B – 0.60% to 3.90% interest payable semiannually, principal due through 2043	55,100	59,900
2013 Series A – 2.6% interest payable semiannually, principal due through 2043	24,093	—
2013 Series B – 2.23% to 2.85% interest payable semiannually, principal due through 2043	35,073	—
2013 Series C – 4.50% interest payable semiannually, principal due through 2043	30,000	—
Subtotal	826,526	979,792
Unaccreted premium, net of underwriters' discount	16,944	18,568
Subtotal single family mortgage programs, net bonds payable	\$ 843,470	998,360
Rental housing mortgage programs	2013	2012
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038	\$ 8,935	9,090
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038	8,450	8,600
2004 Series A&B Multi Family Risk Sharing – NM5 – 5.05% to 5.20% interest payable semiannually, principal due through 2039	8,285	8,565
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039	11,475	11,650
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040	10,260	10,425
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 4.98% interest payable semiannually,		

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

Notes to Financial Statements

September 30, 2013 and 2012

Rental housing mortgage programs	2013	2012
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.70% interest payable semiannually, principal due through 2040	\$ 3,820	3,880
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040	12,105	12,300
2007 A & B Multi Family Risk Sharing – St. Anthony – 5.05% to 5.25% interest payable semiannually, principal due through 2042	5,600	5,675
2007 C & D Multi Family Risk Sharing – NM Rainbow 7 – 5.85% to 10.00% interest payable semiannually, principal due through 2043	13,486	13,620
2008 A & B Multi Family Risk Sharing – Villas de San Ignacio variable interest rate * 0.18% to 0.80% at September 30, 2011 payable monthly, principal due through 2043	8,520	8,520
2010 A & B Multi Family – Villa Alegre Senior Housing – 1.75% to 5% interest payable semiannually, principal due through 2047	890	910
2012 A Multi Family – Gallup Apartments – 5% interest payable semiannually, principal due through 2014	3,954	—
Subtotal	106,765	104,390
Unaccreted premium	192	212
Subtotal rental housing mortgage programs, net bonds payable	\$ 106,957	104,602

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

Capital debt	2013	2012
2005 General Revenue Office Building Refunding Bonds – 3.750% to 4.375% interest payable semiannually, principal due through 2026	\$ 2,005	2,120
Unamortized discount	(81)	(92)
Subtotal net capital bonds payable	\$ 1,924	2,028
Total bonds payable	\$ 935,296	1,086,302
Total unaccreted premium, net of unamortized discount	17,055	18,688
Total bonds payable, net	\$ 952,351	1,104,990

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

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

Notes to Financial Statements

September 30, 2013 and 2012

are 2005D through 2009E, and 2012A through 2013C. 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 2013 and 2012 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In December 2009, the Authority entered into a General Indenture of Trust dated December 1, 2009 to accommodate those bonds issued under the New Issue Bond Program, which was developed by the U.S. Treasury in conjunction with Fannie Mae and Freddie Mac. On December 23, 2009, The Authority issued 2009 Series Bonds (GSE Escrow Bond Purchase Program) in the amount of \$155 million. The interest on the GSE Escrow Bond Purchase Program was 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 U.S. Bank National Association. The purpose of the escrow issue was to store private activity 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 roll out up to eight days prior to the bond closing. The Authority rolled out four bond issues under the NIBP Program during FY 2011 and FY 2012.

Since the Authority exhausted all of its NIBP allocation, in FY 2012 it returned to issuing bonds under the General Indenture of Trust dated November 1, 2005.

During FY 2013, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- \$25 million Single Family Mortgage Program Class I Bonds, 2013 Series A Bonds
- \$36.2 million Single Family Mortgage Program Class I Bonds 2013 Series B, \$11.2 million of which in combination with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds 2003 Series E and 2004 Series A Bonds. The Authority will realize a \$2.4 million positive cash flow from this refunding and an economic gain of approximately \$3.8 million.
- \$30 million Single Family Mortgage Program Class I Bonds, 2013 Series C Bonds

The bonds issued during FY 2013, utilized the pass-through structure. The pass through structure requires that monthly loan revenues are passed through to the bond investors in the form of principal and interest

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

Notes to Financial Statements

September 30, 2013 and 2012

payments with bonds being called on a monthly basis. The Authority receives an administrative fee on a monthly basis after payments are made to the bondholders and the trustee fee is paid.

During FY 2013, bonds from the Tax Exempt Second Mortgage Program Bonds, Series 2000 were called in total on September 1, 2013 utilizing funds from the General Fund. The excess program revenue funds in the amount of approximately \$152,000 were brought into the General Fund. In addition, whole loans from the program 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 statement of net position. The outstanding balance of these bonds totaled approximately \$30,000 at September 30, 2013 and \$40,000 at September 30, 2012, 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, 2013 and 2012 consist of the following (in thousands):

	2013	2012
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	850
	\$ 1,500	1,500

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.

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

Notes to Financial Statements

September 30, 2013 and 2012

(7) Debt Service Requirements

A summary of bond and note debt service requirements as of September 30, 2013 is as follows (in thousands):

	Bonds payable		Notes payable	
	Interest	Principal	Interest	Principal
Year(s) ending September 30:				
2014	\$ 41,946	20,186	30	—
2015	41,191	16,796	30	—
2016	40,527	17,605	32	650
2017	39,741	18,090	17	—
2018	38,932	19,125	17	—
2019–2023	180,321	110,591	75	744
2024–2028	148,582	173,460	1	106
2029–2033	104,598	179,358	—	—
2034–2038	57,923	219,346	—	—
2039–2043	18,925	120,348	—	—
2044–2048	269	40,391	—	—
	<u>712,955</u>	<u>935,296</u>	<u>202</u>	<u>1,500</u>
Net unaccrued premium	<u>—</u>	<u>17,055</u>	<u>—</u>	<u>—</u>
	<u>\$ 712,955</u>	<u>952,351</u>	<u>202</u>	<u>1,500</u>

(8) Accounts Payable and Accrued Expenses

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

	2013	2012
Vendor	\$ 2,630	3,017
Employee benefits	238	243
Deferred revenue	<u>1,524</u>	<u>1,383</u>
	<u>\$ 4,392</u>	<u>4,643</u>

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

Notes to Financial Statements

September 30, 2013 and 2012

(9) Noncurrent Liabilities and Compensated Absences

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2013 and 2012 is as follows (in thousands):

	<u>October 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>	<u>Current portion</u>
Bonds payable, net	\$ 1,104,990	94,340	(246,979)	952,351	20,186
Note payable	1,500	—	—	1,500	—
Accrued arbitrage rebate	73	5	—	78	—
Other noncurrent liabilities	226	5	—	231	—
Compensated absences	307	339	(320)	326	326
	<u>\$ 1,107,096</u>	<u>94,689</u>	<u>(247,299)</u>	<u>954,486</u>	<u>20,512</u>

	<u>October 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2012</u>	<u>Current portion</u>
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
	<u>\$ 1,283,726</u>	<u>149,552</u>	<u>(326,182)</u>	<u>1,107,096</u>	<u>19,176</u>

(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 \$550,000 and \$211,000, respectively, for the year ended September 30, 2013. 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 Executive Director, Director of Human Resources, and Deputy Director of Finance and Administration have the authority to amend the plans.

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

Notes to Financial Statements

September 30, 2013 and 2012

(12) Board-Designated Net Position

The board of directors of the Authority has the discretion to reverse any board-designated net position. The board of directors of the Authority designated the following amounts as of September 30, 2013 and 2012 (in thousands):

	2013	2012
Single family and multifamily programs as designated by the board	\$ 14,228	12,898
Future general operating budget, year-end September 30, 2013	10,125	9,237
Housing Opportunity Fund	82,255	81,405
Risk-sharing loss exposure	11,622	11,441
Federal and state housing programs administered by the Authority	8,279	7,349
Total board-designated net position	\$ 126,509	122,330

(13) Commitments and Contingencies

The Authority entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development under Section 542(c) of the Housing and Community Development Act of 1992, whereby the Authority will assume a 10% to 25% risk of loss in the event of default on specific loans. As of September 30, 2013 and 2012, the Authority is committed to assume a risk of approximately \$12,174,000 and \$12,219,000 for the 47 and 45 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, 2013. As of September 30, 2013 and 2012, the Authority is committed to assume a risk of approximately \$121,000 and \$122,000 for the one loan closed, respectively.

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

On June 27, 2007, the Board of Directors approved the write off of two HOME loans: Mesa Grande Apts. Ltd. for \$209,000 and Sunrise Homes Apts. Ltd. for \$229,000. Based on the information available as of September 30, 2013, Management has determined that it is probable that MFA has incurred a contingent liability for the balance of the loans \$438,000, which may be payable to HUD for noncompliance with the affordability requirement. The reserve for contingent liability is included in net position as of September 30, 2013.

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

Notes to Financial Statements

September 30, 2013 and 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 MFA can guarantee up to 50% of a loan to an eligible entity to build or rehabilitate affordable housing. As of September 30, 2013 and 2012, 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 six joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2013, 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 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 terminated 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, which was amended July 2013. 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, 2015. The maximum amount to be reimbursed under the JPA is \$14,884,000, 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.

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

Notes to Financial Statements

September 30, 2013 and 2012

- (d) 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 Affordable Housing Act. The JPAs were effective September 27, 2012, and terminated 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.
- (e) The Authority entered into a JPA with DFA in October 2012. The purpose of this agreement is for DFA to transfer funds to the Authority to provide oversight to regional housing authorities to include travel, audit, and other expenses related to oversight functions. The JPAs were effective September 27, 2012, and will terminate June 30, 2013. The estimated amount of the project is \$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.
- (f) The Authority entered into a JPA with the New Mexico Attorney General in November 2012. The purpose of this agreement is for the Attorney General to transfer funds to the Authority for the purpose of implementing a statewide program to provide comprehensive help to NM homeowners who are in danger of losing their home to foreclosure. The JPAs were effective November 9, 2012, and will terminate June 30, 2015. The estimated amount of the project is \$8,749,000, 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 September 2007, the Authority's board of directors approved the creation of the New Mexico Affordable Housing Charitable Trust, a 501(c)3 entity. The purpose of the Trust is to support the purposes and programs of the Authority, to seek gifts and grants of property, to borrow money, and to lend, lease, sell, exchange or otherwise transfer or distribute property for affordable housing. The Trust is governed by the Authority's board of directors. The Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. During fiscal years 2013 and 2012, the Authority incurred \$1,000 and \$1,000 respectively on behalf of the Trust. The Authority also made an in-kind contribution to the Trust in the same amount in order to forgive the amount incurred. As of September 30, 2013 and September 30, 2012, balances due to/from the Trust were \$0 and \$0, respectively.

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 has a participating ownership in The Village Sage, LLC, Stage Coach Apartments, LLC and La Nueva Querencia, LLC. During fiscal years 2013 and 2012, the Authority awarded \$8,000 and \$904,000, respectively in grants and loans to Santa Fe Community Housing Trust. During fiscal years 2013 and 2012, the Authority disbursed \$100,000 and \$1,361,000, respectively in grants to Santa Fe Community Housing Trust and The Village Sage, LLC. As of 9/30/2013 and 9/30/2012, outstanding loan balances due from The Village Sage, LLC and Stage Coach Apartments, LLC, were \$2,022,000 and \$2,039,000, respectively.

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

Notes to Financial Statements

September 30, 2013 and 2012

(17) Subsequent Events

The Authority has evaluated subsequent events from the period ended September 30, 2013 through January 10, 2014, 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 multifamily 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 rental housing programs' net position restricted for debt service are primarily attributable to balances that will amortize over the life of the loan, which are not expected to result in long-term deficiencies in these funds.

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position	Single Family Mortgage Programs						
	1994 Series A	1994 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B	2001 Series C
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ —	—	—	—	—	—	—
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	2	—	—	—	—	—	—
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent assets:							
Restricted cash and cash equivalents	92	—	—	—	—	—	—
Restricted investments and reserve funds, net	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	352	—	—	—	—	—	—
Unrealized gain on securitized mortgage loans	32	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>384</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	1	—	—	—	—	—	—
Total noncurrent assets	<u>477</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	\$ <u>479</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ 2	—	—	—	—	—	—
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—	—
Total current liabilities	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent liabilities:							
Bonds payable, net	130	—	—	—	—	—	—
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>130</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>132</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net position restricted for debt service	347	—	—	—	—	—	—
Total liabilities and net position	\$ <u>479</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position		Single Family Mortgage Programs					
Assets		2011	2012	2012	2012	2012	2012
		Series D	Series A	Series B	Series C	Series D	Series E
Current assets:							
Restricted cash and cash equivalents	\$	—	—	—	—	—	—
Restricted investments, net		—	—	—	—	—	—
Accrued interest receivable		—	—	—	—	—	—
Other current assets		—	—	—	—	—	—
Intra-entity receivable (payable)		—	—	—	—	—	—
Total current assets		—	—	—	—	—	—
Noncurrent assets:							
Restricted cash and cash equivalents		—	—	—	—	—	—
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost		—	—	—	—	—	—
Unrealized gain on securitized mortgage loans		—	—	—	—	—	—
Total restricted securitized mortgage loans, net		—	—	—	—	—	—
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		—	—	—	—	—	—
Total noncurrent assets		—	—	—	—	—	—
Total assets	\$	—	—	—	—	—	—
Liabilities and Net Position							
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 position restricted for debt service		—	—	—	—	—	—
Total liabilities and net position	\$	—	—	—	—	—	—

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position	Single Family Mortgage Programs						
	2002 Series F	2003 Series A	2003 Series B	2003 Series C	2003 Series D	2003 Series E	2004 Series A
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ —	—	—	—	—	—	—
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	—	—	—	—	—	—	—
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent assets:							
Restricted cash and cash equivalents	—	—	—	—	—	—	—
Restricted investments and reserve funds, net	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain on securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	—	—	—	—	—	—	—
Total noncurrent assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ —	—	—	—	—	—	—
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—	—
Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent liabilities:							
Bonds payable, net	—	—	—	—	—	—	—
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net position restricted for debt service	—	—	—	—	—	—	—
Total liabilities and net position	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position

Single Family Mortgage Programs

Assets	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
Current assets:							
Restricted cash and cash equivalents	\$ 160	145	150	150	180	190	180
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	27	29	37	26	30	38	37
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(4)	(4)	(4)	(5)	(4)	—	(4)
Total current assets	<u>183</u>	<u>170</u>	<u>183</u>	<u>171</u>	<u>206</u>	<u>228</u>	<u>213</u>
Noncurrent assets:							
Restricted cash and cash equivalents	322	445	693	951	1,038	585	454
Restricted investments and reserve funds, net	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	6,173	5,559	6,594	5,949	6,875	7,760	8,024
Unrealized gain on securitized mortgage loans	426	437	537	460	506	667	477
Total restricted securitized mortgage loans, net	<u>6,599</u>	<u>5,996</u>	<u>7,131</u>	<u>6,409</u>	<u>7,381</u>	<u>8,427</u>	<u>8,501</u>
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	38	38	45	46	52	52	56
Total noncurrent assets	<u>6,959</u>	<u>6,479</u>	<u>7,869</u>	<u>7,406</u>	<u>8,471</u>	<u>9,064</u>	<u>9,011</u>
Total assets	<u>\$ 7,142</u>	<u>6,649</u>	<u>8,052</u>	<u>7,577</u>	<u>8,677</u>	<u>9,292</u>	<u>9,224</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ 70	77	97	86	98	105	102
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	160	145	150	150	180	190	180
Total current liabilities	<u>230</u>	<u>222</u>	<u>247</u>	<u>236</u>	<u>278</u>	<u>295</u>	<u>282</u>
Noncurrent liabilities:							
Bonds payable, net	5,974	5,677	6,950	6,709	7,713	7,894	7,958
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>5,974</u>	<u>5,677</u>	<u>6,950</u>	<u>6,709</u>	<u>7,713</u>	<u>7,894</u>	<u>7,958</u>
Total liabilities	<u>6,204</u>	<u>5,899</u>	<u>7,197</u>	<u>6,945</u>	<u>7,991</u>	<u>8,189</u>	<u>8,240</u>
Net position restricted for debt service	938	750	855	632	686	1,103	984
Total liabilities and net position	<u>\$ 7,142</u>	<u>6,649</u>	<u>8,052</u>	<u>7,577</u>	<u>8,677</u>	<u>9,292</u>	<u>9,224</u>

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position

	Single Family Mortgage Programs		
Assets	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
Current assets:			
Restricted cash and cash equivalents	\$ 10,255	3,080	14,490
Restricted investments, net	—	—	—
Accrued interest receivable	2,511	625	3,362
Other current assets	—	—	—
Intra-entity receivable (payable)	(292)	(30)	(347)
Total current assets	12,474	3,675	17,505
Noncurrent assets:			
Restricted cash and cash equivalents	49,808	2,244	56,632
Restricted investments and reserve funds, net	—	—	—
Restricted securitized mortgage loans, net:			
Securitized mortgage loans, net cost	584,349	176,939	808,574
Unrealized gain on securitized mortgage loans	35,049	8,976	47,567
Total restricted securitized mortgage loans, net	619,398	185,915	856,141
Restricted mortgage loans, net	—	—	—
Bond issuance costs, net	4,974	1,043	6,345
Total noncurrent assets	674,180	189,202	919,118
Total assets	\$ 686,654	192,877	936,623
Liabilities and Net Position			
Current liabilities:			
Accrued interest payable	\$ 4,789	548	5,974
Accounts payable and other accrued expenses	10	10	20
Current portion of bonds payable	10,255	3,080	14,490
Total current liabilities	15,054	3,638	20,484
Noncurrent liabilities:			
Bonds payable, net	602,315	177,660	828,980
Accrued arbitrage rebate	78	—	78
Total noncurrent liabilities	602,393	177,660	829,058
Total liabilities	617,447	181,298	849,542
Net position restricted for debt service	69,207	11,579	87,081
Total liabilities and net position	\$ 686,654	192,877	936,623

See accompanying notes to basic financial statements.

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Position	Single Family Mortgage Programs						
	1994 Series A	1994 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B	2001 Series C
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 30	—	—	1	—	—	—
Interest on securities and temporary investments	—	—	—	—	—	—	—
Gain (loss) asset sale	—	—	—	(5)	—	—	—
Net increase (decrease) in fair value of investments	(49)	—	—	—	—	—	—
Loan and commitment fees	—	—	—	—	—	—	—
Administrative fees and other	—	—	—	—	—	—	—
Total operating revenues	(19)	—	—	(4)	—	—	—
Operating expenses:							
Interest	13	—	—	3	—	—	—
Amortization of bond issuance costs	2	—	—	25	—	—	—
Administrative fees and other	—	—	—	3	—	—	—
Total operating expenses	15	—	—	31	—	—	—
Operating income (loss)	(34)	—	—	(35)	—	—	—
Other financing sources (uses) – operating transfers	—	—	—	(151)	—	—	—
Change in net position	(34)	—	—	(186)	—	—	—
Total net position – beginning	381	—	—	186	—	—	—
Total net position – ending	\$ 347	—	—	—	—	—	—
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 145	—	—	(90)	—	—	—
Noncapital financing activities	(171)	—	—	(55)	—	—	—
Investing activities	—	—	—	(6)	—	—	—
Net increase (decrease)	(26)	—	—	(151)	—	—	—
Cash and cash equivalents, beginning of year	118	—	—	151	—	—	—
Cash and cash equivalents, end of year	\$ 92	—	—	—	—	—	—

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Position	Single Family Mortgage Programs					
	2011 Series D	2012 Series A	2012 Series B	2012 Series C	2012 Series D	2012 Series E
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	\$ —	—	—	—	—	—
Interest on securities and temporary investments	—	—	—	—	—	—
Gain (loss) asset sale	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	—	—	—	—	—	—
Loan and commitment fees	—	—	—	—	—	—
Administrative fees and other	—	—	—	—	—	—
Total operating revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operating expenses:						
Interest	—	—	—	—	—	—
Amortization of bond issuance costs	—	—	—	—	—	—
Administrative fees and other	—	—	—	—	—	1
Total operating expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
Operating income (loss)	—	—	—	—	—	(1)
Other financing sources (uses) – operating transfers	—	—	—	—	—	1
Change in net position	—	—	—	—	—	—
Total net position – beginning	—	—	—	—	—	—
Total net position – ending	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Condensed Statements of Cash Flows						
Net cash provided by (used in):						
Operating activities	\$ —	—	—	—	—	—
Noncapital financing activities	—	—	—	—	—	—
Investing activities	—	—	—	—	—	—
Net increase (decrease)	—	—	—	—	—	—
Cash and cash equivalents, beginning of year	—	—	—	—	—	—
Cash and cash equivalents, end of year	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Single Family Mortgage Programs

Statements of Revenues, Expenses, and Changes in Net Position	2002 Series F	2003 Series A	2003 Series B	2003 Series C	2003 Series D	2003 Series E	2004 Series A
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ —	—	—	—	—	170	212
Interest on securities and temporary investments	—	—	—	—	—	1	19
Gain (loss) asset sale	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	—	—	—	—	—	(583)	(677)
Loan and commitment fees	—	—	—	—	—	10	6
Administrative fees and other	—	—	—	—	—	(5)	(13)
Total operating revenues	—	—	—	—	—	(407)	(453)
Operating expenses:							
Interest	—	—	—	—	—	212	235
Amortization of bond issuance costs	—	—	—	—	—	9	6
Administrative fees and other	—	—	—	—	—	2	2
Total operating expenses	—	—	—	—	—	223	243
Operating income (loss)	—	—	—	—	—	(630)	(696)
Other financing sources (uses) – operating transfers	(34)	(37)	—	—	—	(343)	(403)
Change in net position	(34)	(37)	—	—	—	(973)	(1,099)
Total net position – beginning	34	37	—	—	—	973	1,099
Total net position – ending	\$ —	—	—	—	—	—	—
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ (34)	(37)	—	—	—	6,061	7,208
Noncapital financing activities	—	—	—	—	—	(6,715)	(7,638)
Investing activities	—	—	—	—	—	1	21
Net increase (decrease)	(34)	(37)	—	—	—	(653)	(409)
Cash and cash equivalents, beginning of year	34	37	—	—	—	653	409
Cash and cash equivalents, end of year	\$ —	—	—	—	—	—	—

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Single Family Mortgage Programs

Statements of Revenues, Expenses, and Changes in Net Position	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 293	275	377	312	360	391	415
Interest on securities and temporary investments	22	37	28	1	1	42	32
Gain (loss) asset sale	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(200)	(272)	(308)	(340)	(429)	(344)	(310)
Loan and commitment fees	14	20	10	19	26	20	18
Administrative fees and other	(17)	(17)	(16)	(22)	(21)	—	(20)
Total operating revenues	112	43	91	(30)	(63)	109	135
Operating expenses:							
Interest	278	299	386	339	397	423	384
Amortization of bond issuance costs	14	18	12	20	29	24	22
Administrative fees and other	—	—	—	—	—	—	—
Total operating expenses	292	317	398	359	426	447	406
Operating income (loss)	(180)	(274)	(307)	(389)	(489)	(338)	(271)
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net position	(180)	(274)	(307)	(389)	(489)	(338)	(271)
Total net position – beginning	1,118	1,024	1,162	1,021	1,175	1,441	1,255
Total net position – ending	\$ 938	750	855	632	686	1,103	984
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 1,989	2,001	1,711	2,757	3,667	2,739	2,163
Noncapital financing activities	(2,098)	(2,794)	(1,820)	(2,883)	(4,216)	(3,449)	(3,013)
Investing activities	23	43	27	1	1	45	35
Net increase (decrease)	(86)	(750)	(82)	(125)	(548)	(665)	(815)
Cash and cash equivalents, beginning of year	568	1,340	925	1,226	1,766	1,440	1,449
Cash and cash equivalents, end of year	\$ 482	590	843	1,101	1,218	775	634

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Single Family Mortgage Programs

Statements of Revenues, Expenses, and Changes in Net Position	Single Family Mortgage Programs		
	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	\$ 26,369	7,208	36,413
Interest on securities and temporary investments	2,086	7	2,276
Gain (loss) asset sale	1	—	(4)
Net increase (decrease) in fair value of investments	(27,241)	(9,614)	(40,367)
Loan and commitment fees	1,685	382	2,210
Administrative fees and other	(1,452)	(398)	(1,981)
Total operating revenues	<u>1,448</u>	<u>(2,415)</u>	<u>(1,453)</u>
Operating expenses:			
Interest	27,721	6,217	36,907
Amortization of bond issuance costs	1,629	233	2,043
Administrative fees and other	76	32	116
Total operating expenses	<u>29,426</u>	<u>6,482</u>	<u>39,066</u>
Operating income (loss)	<u>(27,978)</u>	<u>(8,897)</u>	<u>(40,519)</u>
Other financing sources (uses) – operating transfers	355	(651)	(1,263)
Change in net position	<u>(27,623)</u>	<u>(9,548)</u>	<u>(41,782)</u>
Total net position – beginning	96,830	21,127	128,863
Total net position – ending	<u>\$ 69,207</u>	<u>11,579</u>	<u>87,081</u>
	Condensed Statements of Cash Flows		
Net cash provided by (used in):			
Operating activities	\$ 69,110	34,773	134,163
Noncapital financing activities	(123,121)	(36,722)	(194,695)
Investing activities	2,155	6	2,352
Net increase (decrease)	<u>(51,856)</u>	<u>(1,943)</u>	<u>(58,180)</u>
Cash and cash equivalents, beginning of year	111,919	7,267	129,302
Cash and cash equivalents, end of year	<u>\$ 60,063</u>	<u>5,324</u>	<u>71,122</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position

Rental Housing Mortgage Programs

Assets	1998 Series A, B	2001 Series A, B, C, D	2001 Series E	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D
Current assets:							
Restricted cash and cash equivalents	\$ —	—	—	165	160	255	185
Accrued interest receivable	—	—	—	46	37	35	52
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>211</u>	<u>197</u>	<u>290</u>	<u>237</u>
Noncurrent assets:							
Restricted cash and cash equivalents	—	—	—	410	241	274	349
Note receivable	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	—	—	8,264	7,873	7,841	10,867
Bond issuance costs, net	—	—	—	129	57	159	61
Total noncurrent assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,803</u>	<u>8,171</u>	<u>8,274</u>	<u>11,277</u>
Total assets	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>9,014</u>	<u>8,368</u>	<u>8,564</u>	<u>11,514</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ —	—	—	130	36	35	52
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	165	160	255	185
Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>295</u>	<u>196</u>	<u>290</u>	<u>237</u>
Noncurrent liabilities:							
Bonds payable, net	—	—	—	8,896	8,290	8,030	11,290
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,896</u>	<u>8,290</u>	<u>8,030</u>	<u>11,290</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,191</u>	<u>8,486</u>	<u>8,320</u>	<u>11,527</u>
Net position restricted for debt service	—	—	—	(177)	(118)	244	(13)
Total liabilities and net position	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>9,014</u>	<u>8,368</u>	<u>8,564</u>	<u>11,514</u>

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position

Rental Housing Mortgage Programs

Assets	<u>2004 Series E</u>	<u>2004 Series F, G</u>	<u>2005 Series A, B</u>	<u>2005 Series C, D</u>	<u>2005 Series E, F</u>	<u>2006 Series A</u>	<u>2007 Series A, B</u>
Current assets:							
Restricted cash and cash equivalents	\$ —	170	180	70	205	—	80
Accrued interest receivable	—	45	48	15	49	—	24
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>—</u>	<u>215</u>	<u>228</u>	<u>85</u>	<u>254</u>	<u>—</u>	<u>104</u>
Noncurrent assets:							
Restricted cash and cash equivalents	—	318	451	103	305	—	192
Note receivable	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	9,673	10,324	3,518	11,513	—	5,313
Bond issuance costs, net	—	37	82	—	138	—	—
Total noncurrent assets	<u>—</u>	<u>10,028</u>	<u>10,857</u>	<u>3,621</u>	<u>11,956</u>	<u>—</u>	<u>5,505</u>
Total assets	\$ <u>—</u>	\$ <u>10,243</u>	\$ <u>11,085</u>	\$ <u>3,706</u>	\$ <u>12,210</u>	\$ <u>—</u>	\$ <u>5,609</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ —	44	45	15	49	—	24
Accounts payable and other accrued expenses	—	1	—	—	—	—	—
Current portion of bonds payable	—	170	180	70	205	—	80
Total current liabilities	<u>—</u>	<u>215</u>	<u>225</u>	<u>85</u>	<u>254</u>	<u>—</u>	<u>104</u>
Noncurrent liabilities:							
Bonds payable, net	—	10,090	10,805	3,767	11,944	—	5,545
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>10,090</u>	<u>10,805</u>	<u>3,767</u>	<u>11,944</u>	<u>—</u>	<u>5,545</u>
Total liabilities	<u>—</u>	<u>10,305</u>	<u>11,030</u>	<u>3,852</u>	<u>12,198</u>	<u>—</u>	<u>5,649</u>
Net position restricted for debt service	—	(62)	55	(146)	12	—	(40)
Total liabilities and net position	\$ <u>—</u>	\$ <u>10,243</u>	\$ <u>11,085</u>	\$ <u>3,706</u>	\$ <u>12,210</u>	\$ <u>—</u>	\$ <u>5,609</u>

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statement of Net Position

Rental Housing Mortgage Programs

Assets	2007 Series C, D	2008 Series A, B	2010 Series A, B	2012 Series A	Total Rental Housing Mortgage Programs
Current assets:					
Restricted cash and cash equivalents	\$ —	—	10	—	1,480
Accrued interest receivable	156	1	4	16	528
Other current assets	—	—	—	—	—
Intra-entity receivable (payable)	(7)	—	—	—	(7)
Total current assets	<u>149</u>	<u>1</u>	<u>14</u>	<u>16</u>	<u>2,001</u>
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	39	—	2,682
Note receivable	—	—	—	—	—
Restricted securitized mortgage loans, net:					
Securitized mortgage loans, net cost	—	—	—	—	—
Unrealized gain securitized mortgage loans	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	13,486	8,520	801	3,954	101,947
Bond issuance costs, net	—	—	—	—	663
Total noncurrent assets	<u>13,486</u>	<u>8,520</u>	<u>840</u>	<u>3,954</u>	<u>105,292</u>
Total assets	\$ <u><u>13,635</u></u>	<u><u>8,521</u></u>	<u><u>854</u></u>	<u><u>3,970</u></u>	<u><u>107,293</u></u>
Liabilities and Net Position					
Current liabilities:					
Accrued interest payable	\$ 156	1	4	16	607
Accounts payable and other accrued expenses	—	—	—	1	2
Current portion of bonds payable	143	—	10	3,954	5,577
Total current liabilities	<u>299</u>	<u>1</u>	<u>14</u>	<u>3,971</u>	<u>6,186</u>
Noncurrent liabilities:					
Bonds payable, net	13,343	8,520	860	—	101,380
Accrued arbitrage rebate	—	—	—	—	—
Total noncurrent liabilities	<u>13,343</u>	<u>8,520</u>	<u>860</u>	<u>—</u>	<u>101,380</u>
Total liabilities	<u>13,642</u>	<u>8,521</u>	<u>874</u>	<u>3,971</u>	<u>107,566</u>
Net position restricted for debt service	(7)	—	(20)	(1)	(273)
Total liabilities and net position	\$ <u><u>13,635</u></u>	<u><u>8,521</u></u>	<u><u>854</u></u>	<u><u>3,970</u></u>	<u><u>107,293</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Position	Rental Housing Mortgage Programs						
	1998 Series A, B	2001 Series A, B, C, D	2001 Series E	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ —	—	—	730	435	417	603
Interest on securities and temporary investments	—	—	—	17	15	23	27
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—
Loan and commitment fees	—	—	—	7	7	6	10
Administrative fees and other	—	—	—	—	—	—	—
Total operating revenues	—	—	—	754	457	446	640
Operating expenses:							
Interest expense	—	—	—	509	440	433	626
Amortization of bond issuance costs	—	—	—	9	3	10	4
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	—	—	—	(188)	98	(5)	(109)
Total operating expenses	—	—	—	330	541	438	521
Operating income (loss)	—	—	—	424	(84)	8	119
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net position	—	—	—	424	(84)	8	119
Total net position – beginning	—	—	—	(601)	(34)	236	(132)
Total net position – ending	\$ —	—	—	(177)	(118)	244	(13)
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ —	—	—	885	581	696	781
Noncapital financing activities	—	—	—	(682)	(591)	(715)	(802)
Investing activities	—	—	—	15	15	23	26
Net increase (decrease)	—	—	—	218	5	4	5
Cash and cash equivalents, beginning of year	—	—	—	357	396	525	529
Cash and cash equivalents, end of year	\$ —	—	—	575	401	529	534

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Position	Rental Housing Mortgage Programs						
	2004 Series E	2004 Series F, G	2005 Series A, B	2005 Series C, D	2005 Series E, F	2006 Series A	2007 Series A, B
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ —	528	554	179	586	—	292
Interest on securities and temporary investments	—	19	25	—	17	—	—
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—
Loan and commitment fees	—	9	9	3	10	—	5
Administrative fees and other	—	—	—	—	—	—	—
Total operating revenues	—	556	588	182	613	—	297
Operating expenses:							
Interest expense	—	539	548	181	595	—	293
Amortization of bond issuance costs	—	2	5	(1)	6	—	(1)
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	—	(7)	104	63	(115)	—	(6)
Total operating expenses	—	534	657	243	486	—	286
Operating income (loss)	—	22	(69)	(61)	127	—	11
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net position	—	22	(69)	(61)	127	—	11
Total net position – beginning	—	(84)	124	(85)	(115)	—	(51)
Total net position – ending	\$ —	(62)	55	(146)	12	—	(40)
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ —	686	723	240	776	—	362
Noncapital financing activities	—	(704)	(719)	(241)	(791)	—	(369)
Investing activities	—	19	26	—	17	—	—
Net increase (decrease)	—	1	30	(1)	2	—	(7)
Cash and cash equivalents, beginning of year	—	487	601	174	508	—	279
Cash and cash equivalents, end of year	\$ —	488	631	173	510	—	272

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

Notes to Financial Statements

September 30, 2013

(In thousands)

Statements of Revenues, Expenses, and Changes in Net Position	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2007 Series C, D	2008 Series A, B	2010 Series A, B	2012 Series A	
Operating revenues:					
Interest on mortgage loans and securitized mortgage loans	\$ 876	13	46	63	5,322
Interest on securities and temporary investments	—	—	—	—	143
Net increase (decrease) in fair value of investments	—	—	—	—	—
Loan and commitment fees	—	—	4	—	70
Administrative fees and other	2	—	—	2	4
Total operating revenues	<u>878</u>	<u>13</u>	<u>50</u>	<u>65</u>	<u>5,539</u>
Operating expenses:					
Interest expense	876	13	46	63	5,162
Amortization of bond issuance costs	—	—	—	—	37
Provision (recovery) for loan losses	—	—	—	—	—
Administrative fees and other	(88)	—	(2)	3	(252)
Total operating expenses	<u>788</u>	<u>13</u>	<u>44</u>	<u>66</u>	<u>4,947</u>
Operating income (loss)	90	—	6	(1)	592
Other financing sources (uses) – operating transfers	—	—	—	—	—
Change in net position	90	—	6	(1)	592
Total net position – beginning	<u>(97)</u>	<u>—</u>	<u>(26)</u>	<u>—</u>	<u>(865)</u>
Total net position – ending	<u>\$ (7)</u>	<u>—</u>	<u>(20)</u>	<u>(1)</u>	<u>(273)</u>
Condensed Statements of Cash Flows					
Net cash provided by (used in):					
Operating activities	\$ 1,011	14	55	(3,907)	2,903
Noncapital financing activities	(1,011)	(14)	(65)	3,907	(2,797)
Investing activities	—	—	—	—	141
Net increase (decrease)	—	—	(10)	—	247
Cash and cash equivalents, beginning of year	—	—	59	—	3,915
Cash and cash equivalents, end of year	<u>\$ —</u>	<u>—</u>	<u>49</u>	<u>—</u>	<u>4,162</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position

	Single Family Mortgage Programs						
	1994 Series A	1994 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B	2001 Series C
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ —	—	—	—	—	—	—
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	3	—	—	—	—	—	—
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent assets:							
Restricted cash and cash equivalents	118	—	—	151	—	—	—
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	<u>548</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	—	—	63	—	—	—
Bond issuance costs, net	2	—	—	25	—	—	—
Total noncurrent assets	<u>668</u>	<u>—</u>	<u>—</u>	<u>239</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	\$ <u>671</u>	<u>—</u>	<u>—</u>	<u>239</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ 5	—	—	—	—	—	—
Accounts payable and other accrued expenses	—	—	—	1	—	—	—
Current portion of bonds payable	—	—	—	—	—	—	—
Total current liabilities	<u>5</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent liabilities:							
Bonds payable, net	285	—	—	52	—	—	—
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>285</u>	<u>—</u>	<u>—</u>	<u>52</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>290</u>	<u>—</u>	<u>—</u>	<u>53</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net position restricted for debt service	381	—	—	186	—	—	—
Total liabilities and net position	\$ <u>671</u>	<u>—</u>	<u>—</u>	<u>239</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position

	Single Family Mortgage Programs					
	2001 Series D	2002 Series A	2002 Series B	2002 Series C	2002 Series D	2002 Series E
Assets						
Current assets:						
Restricted cash and cash equivalents	\$ —	—	—	—	—	—
Restricted investments, net	—	—	—	—	—	—
Accrued interest receivable	—	—	—	—	—	—
Other current assets	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—
Total current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent assets:						
Restricted cash and cash equivalents	—	—	—	—	—	—
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net cost	—	—	—	—	—	—
Unrealized gain on securitized mortgage loans	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	—	—	—	—	—	—
Total noncurrent assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	\$ <u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Liabilities and Net Position						
Current liabilities:						
Accrued interest payable	\$ —	—	—	—	—	—
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Noncurrent liabilities:						
Bonds payable, net	—	—	—	—	—	—
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net position restricted for debt service	—	—	—	—	—	—
Total liabilities and net position	\$ <u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position	Single Family Mortgage Programs						
	2002 Series F	2003 Series A	2003 Series B	2003 Series C	2003 Series D	2003 Series E	2004 Series A
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ —	—	—	—	—	150	175
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	—	—	—	—	—	28	33
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	(1)	(3)
Total current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177</u>	<u>205</u>
Noncurrent assets:							
Restricted cash and cash equivalents	34	37	—	—	—	503	234
Restricted investments and reserve funds, net	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	6,204	7,380
Unrealized gain on securitized mortgage loans	—	—	—	—	—	583	677
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,787</u>	<u>8,057</u>
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	—	—	—	—	—	51	58
Total noncurrent assets	<u>34</u>	<u>37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,341</u>	<u>8,349</u>
Total assets	\$ <u>34</u>	<u>37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,518</u>	<u>8,554</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ —	—	—	—	—	28	89
Accounts payable and other accrued expenses	—	—	—	—	—	1	—
Current portion of bonds payable	—	—	—	—	—	150	175
Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>179</u>	<u>264</u>
Noncurrent liabilities:							
Bonds payable, net	—	—	—	—	—	6,366	7,191
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,366</u>	<u>7,191</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,545</u>	<u>7,455</u>
Net position restricted for debt service	34	37	—	—	—	973	1,099
Total liabilities and net position	\$ <u>34</u>	<u>37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,518</u>	<u>8,554</u>

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						
	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
Statement of Net Position							
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ 185	185	180	200	250	230	225
Restricted investments, net	—	—	—	—	—	—	—
Accrued interest receivable	35	42	43	37	45	51	48
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	(5)	(4)	(5)	(7)	(7)	—	(6)
Total current assets	<u>215</u>	<u>223</u>	<u>218</u>	<u>230</u>	<u>288</u>	<u>281</u>	<u>267</u>
Noncurrent assets:							
Restricted cash and cash equivalents	383	1,155	745	1,026	1,516	1,210	1,224
Restricted investments and reserve funds, net	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	7,866	7,276	7,929	8,389	10,166	10,078	9,767
Unrealized gain on securitized mortgage loans	627	709	845	800	934	1,010	787
Total restricted securitized mortgage loans, net	<u>8,493</u>	<u>7,985</u>	<u>8,774</u>	<u>9,189</u>	<u>11,100</u>	<u>11,088</u>	<u>10,554</u>
Restricted mortgage loans, net	—	—	—	—	—	—	—
Bond issuance costs, net	52	56	56	65	81	76	78
Total noncurrent assets	<u>8,928</u>	<u>9,196</u>	<u>9,575</u>	<u>10,280</u>	<u>12,697</u>	<u>12,374</u>	<u>11,856</u>
Total assets	\$ <u>9,143</u>	<u>9,419</u>	<u>9,793</u>	<u>10,510</u>	<u>12,985</u>	<u>12,655</u>	<u>12,123</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ 90	110	116	117	144	144	134
Accounts payable and other accrued expenses	—	—	—	—	—	—	—
Current portion of bonds payable	185	185	180	200	250	230	225
Total current liabilities	<u>275</u>	<u>295</u>	<u>296</u>	<u>317</u>	<u>394</u>	<u>374</u>	<u>359</u>
Noncurrent liabilities:							
Bonds payable, net	7,750	8,100	8,335	9,172	11,416	10,840	10,509
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>7,750</u>	<u>8,100</u>	<u>8,335</u>	<u>9,172</u>	<u>11,416</u>	<u>10,840</u>	<u>10,509</u>
Total liabilities	<u>8,025</u>	<u>8,395</u>	<u>8,631</u>	<u>9,489</u>	<u>11,810</u>	<u>11,214</u>	<u>10,868</u>
Net position restricted for debt service	1,118	1,024	1,162	1,021	1,175	1,441	1,255
Total liabilities and net position	\$ <u>9,143</u>	<u>9,419</u>	<u>9,793</u>	<u>10,510</u>	<u>12,985</u>	<u>12,655</u>	<u>12,123</u>

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position

	Single Family Mortgage Programs		
Assets	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
Current assets:			
Restricted cash and cash equivalents	\$ 12,175	3,220	17,175
Restricted investments, net	—	—	—
Accrued interest receivable	2,999	729	4,093
Other current assets	—	—	—
Intra-entity receivable (payable)	(265)	(36)	(339)
Total current assets	14,909	3,913	20,929
Noncurrent assets:			
Restricted cash and cash equivalents	99,744	4,047	112,127
Restricted investments and reserve funds, net	—	—	—
Restricted securitized mortgage loans, net:			
Securitized mortgage loans, net cost	626,132	205,105	906,759
Unrealized gain on securitized mortgage loans	62,290	18,591	87,934
Total restricted securitized mortgage loans, net	688,422	223,696	994,693
Restricted mortgage loans, net	—	—	63
Bond issuance costs, net	5,727	1,276	7,603
Total noncurrent assets	793,893	229,019	1,114,486
Total assets	\$ 808,802	232,932	1,135,415
Liabilities and Net Position			
Current liabilities:			
Accrued interest payable	\$ 6,470	645	8,092
Accounts payable and other accrued expenses	12	12	26
Current portion of bonds payable	12,175	3,220	17,175
Total current liabilities	18,657	3,877	25,293
Noncurrent liabilities:			
Bonds payable, net	693,242	207,927	981,185
Accrued arbitrage rebate	73	—	73
Total noncurrent liabilities	693,315	207,927	981,258
Total liabilities	711,972	211,804	1,006,551
Net position restricted for debt service	96,830	21,128	128,864
Total liabilities and net position	\$ 808,802	232,932	1,135,415

See accompanying notes to financial statements.

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 Position	Single Family Mortgage Programs						
	1994 Series A	1994 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B	2001 Series C
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 40	—	(41)	3	(62)	(67)	(45)
Interest on securities and temporary investments	—	—	2	—	—	—	—
Gain (loss) asset sale/debt extinguishment	—	—	404	—	432	415	384
Net increase (decrease) in fair value of investments	(14)	(66)	(503)	—	(437)	(432)	(417)
Loan and commitment fees	—	—	25	—	29	31	28
Administrative fees and other	(1)	—	(1)	—	(3)	(2)	(2)
Total operating revenues	25	(66)	(114)	3	(41)	(55)	(52)
Operating expenses:							
Interest	23	2	(42)	4	(64)	(68)	(45)
Amortization of bond issuance costs	1	5	23	10	27	29	27
Administrative fees and other	—	1	3	2	3	3	3
Total operating expenses	24	8	(16)	16	(34)	(36)	(15)
Operating income (loss)	1	(74)	(98)	(13)	(7)	(19)	(37)
Other financing sources (uses) – operating transfers	—	(2)	(886)	—	(1,119)	(783)	(778)
Change in net position	1	(76)	(984)	(13)	(1,126)	(802)	(815)
Total net position – beginning	380	76	984	199	1,126	802	815
Total net position – ending	\$ 381	—	—	186	—	—	—
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 201	461	2,979	11	3,191	3,425	3,110
Noncapital financing activities	(114)	(551)	(3,522)	(13)	(3,704)	(3,932)	(3,654)
Investing activities	—	1	434	—	468	466	430
Net increase (decrease)	87	(89)	(109)	(2)	(45)	(41)	(114)
Cash and cash equivalents, beginning of year	31	89	109	153	45	41	114
Cash and cash equivalents, end of year	\$ 118	—	—	151	—	—	—

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 Position	2001	2002	2002	2002	2002	2002
	Series D	Series A	Series B	Series C	Series D	Series E
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	\$ (65)	(49)	(60)	(51)	(61)	150
Interest on securities and temporary investments	1	1	—	—	—	10
Gain (loss) asset sale/debt extinguishment	485	420	488	480	557	(34)
Net increase (decrease) in fair value of investments	(481)	(433)	(493)	(499)	(543)	(512)
Loan and commitment fees	39	31	35	35	41	39
Administrative fees and other	(1)	(1)	(1)	(1)	(2)	(9)
Total operating revenues	<u>(22)</u>	<u>(31)</u>	<u>(31)</u>	<u>(36)</u>	<u>(8)</u>	<u>(356)</u>
Operating expenses:						
Interest	(64)	(50)	(60)	(51)	(60)	156
Amortization of bond issuance costs	37	31	35	36	45	40
Administrative fees and other	4	3	3	3	3	—
Total operating expenses	<u>(23)</u>	<u>(16)</u>	<u>(22)</u>	<u>(12)</u>	<u>(12)</u>	<u>196</u>
Operating income (loss)	1	(15)	(9)	(24)	4	(552)
Other financing sources (uses) – operating transfers	<u>(941)</u>	<u>(915)</u>	<u>(790)</u>	<u>(674)</u>	<u>(735)</u>	<u>(300)</u>
Change in net position	(940)	(930)	(799)	(698)	(731)	(852)
Total net position – beginning	<u>940</u>	<u>930</u>	<u>799</u>	<u>698</u>	<u>731</u>	<u>852</u>
Total net position – ending	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Condensed Statements of Cash Flows						
Net cash provided by (used in):						
Operating activities	\$ 3,921	3,129	3,847	3,931	4,719	5,028
Noncapital financing activities	(4,644)	(3,813)	(4,411)	(4,504)	(5,526)	(5,077)
Investing activities	530	458	520	525	613	10
Net increase (decrease)	<u>(193)</u>	<u>(226)</u>	<u>(44)</u>	<u>(48)</u>	<u>(194)</u>	<u>(39)</u>
Cash and cash equivalents, beginning of year	<u>193</u>	<u>226</u>	<u>44</u>	<u>48</u>	<u>194</u>	<u>39</u>
Cash and cash equivalents, end of year	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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 Position	2002 Series F	2003 Series A	2003 Series B	2003 Series C	2003 Series D	2003 Series E	2004 Series A
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 252	259	281	389	224	314	350
Interest on securities and temporary investments	13	12	1	2	1	1	24
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(551)	(523)	(585)	(797)	(537)	(95)	(56)
Loan and commitment fees	7	7	8	8	8	23	22
Administrative fees and other	(10)	(16)	(10)	(26)	(8)	(9)	(20)
Total operating revenues	<u>(289)</u>	<u>(261)</u>	<u>(305)</u>	<u>(424)</u>	<u>(312)</u>	<u>234</u>	<u>320</u>
Operating expenses:							
Interest	253	263	309	404	264	343	336
Amortization of bond issuance costs	6	7	7	7	9	19	21
Administrative fees and other	2	2	2	2	2	—	—
Total operating expenses	<u>261</u>	<u>272</u>	<u>318</u>	<u>413</u>	<u>275</u>	<u>362</u>	<u>357</u>
Operating income (loss)	<u>(550)</u>	<u>(533)</u>	<u>(623)</u>	<u>(837)</u>	<u>(587)</u>	<u>(128)</u>	<u>(37)</u>
Other financing sources (uses) – operating transfers	<u>(366)</u>	<u>(310)</u>	<u>(290)</u>	<u>(255)</u>	<u>(96)</u>	<u>90</u>	<u>—</u>
Change in net position	<u>(916)</u>	<u>(843)</u>	<u>(913)</u>	<u>(1,092)</u>	<u>(683)</u>	<u>(38)</u>	<u>(37)</u>
Total net position – beginning	<u>950</u>	<u>880</u>	<u>913</u>	<u>1,092</u>	<u>683</u>	<u>1,011</u>	<u>1,136</u>
Total net position – ending	<u>\$ 34</u>	<u>37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>973</u>	<u>1,099</u>
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 5,610	6,132	6,819	10,060	5,661	2,119	1,665
Noncapital financing activities	(5,816)	(6,378)	(7,410)	(10,585)	(6,181)	(2,437)	(2,599)
Investing activities	13	13	1	1	1	1	26
Net increase (decrease)	<u>(193)</u>	<u>(233)</u>	<u>(590)</u>	<u>(524)</u>	<u>(519)</u>	<u>(317)</u>	<u>(908)</u>
Cash and cash equivalents, beginning of year	<u>227</u>	<u>270</u>	<u>590</u>	<u>524</u>	<u>519</u>	<u>970</u>	<u>1,317</u>
Cash and cash equivalents, end of year	<u>\$ 34</u>	<u>37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>653</u>	<u>409</u>

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 Position	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 365	400	443	442	555	522	511
Interest on securities and temporary investments	33	48	33	1	1	39	29
Gain (loss) asset sale/debt extinguishment	—	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(113)	(153)	(77)	(89)	(166)	(60)	(80)
Loan and commitment fees	20	20	15	19	19	18	16
Administrative fees and other	(21)	(22)	(20)	(30)	(29)	—	(25)
Total operating revenues	<u>284</u>	<u>293</u>	<u>394</u>	<u>343</u>	<u>380</u>	<u>519</u>	<u>451</u>
Operating expenses:							
Interest	357	432	456	452	561	548	473
Amortization of bond issuance costs	19	20	17	19	22	22	19
Administrative fees and other	—	—	—	1	1	1	1
Total operating expenses	<u>376</u>	<u>452</u>	<u>473</u>	<u>472</u>	<u>584</u>	<u>571</u>	<u>493</u>
Operating income (loss)	<u>(92)</u>	<u>(159)</u>	<u>(79)</u>	<u>(129)</u>	<u>(204)</u>	<u>(52)</u>	<u>(42)</u>
Other financing sources (uses) – operating transfers	—	—	—	75	—	—	—
Change in net position	<u>(92)</u>	<u>(159)</u>	<u>(79)</u>	<u>(54)</u>	<u>(204)</u>	<u>(52)</u>	<u>(42)</u>
Total net position – beginning	<u>1,210</u>	<u>1,183</u>	<u>1,241</u>	<u>1,075</u>	<u>1,379</u>	<u>1,493</u>	<u>1,297</u>
Total net position – ending	<u>\$ 1,118</u>	<u>1,024</u>	<u>1,162</u>	<u>1,021</u>	<u>1,175</u>	<u>1,441</u>	<u>1,255</u>
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 2,364	2,920	2,257	2,743	3,638	2,575	2,706
Noncapital financing activities	(2,777)	(2,859)	(2,505)	(2,678)	(2,973)	(2,964)	(2,391)
Investing activities	34	44	36	1	1	37	30
Net increase (decrease)	<u>(379)</u>	<u>105</u>	<u>(212)</u>	<u>66</u>	<u>666</u>	<u>(352)</u>	<u>345</u>
Cash and cash equivalents, beginning of year	<u>947</u>	<u>1,235</u>	<u>1,137</u>	<u>1,160</u>	<u>1,100</u>	<u>1,792</u>	<u>1,104</u>
Cash and cash equivalents, end of year	<u>\$ 568</u>	<u>1,340</u>	<u>925</u>	<u>1,226</u>	<u>1,766</u>	<u>1,440</u>	<u>1,449</u>

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 Position	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	\$ 31,108	7,710	43,817
Interest on securities and temporary investments	2,287	106	2,645
Gain (loss) asset sale/debt extinguishment	—	—	4,031
Net increase (decrease) in fair value of investments	(914)	7,287	(2,339)
Loan and commitment fees	1,419	267	2,229
Administrative fees and other	(1,288)	(400)	(1,958)
Total operating revenues	32,612	14,970	48,425
Operating expenses:			
Interest	31,809	7,307	44,248
Amortization of bond issuance costs	1,384	213	2,157
Administrative fees and other	77	40	162
Total operating expenses	33,270	7,560	46,567
Operating income (loss)	(658)	7,410	1,858
Other financing sources (uses) – operating transfers	9,995	(317)	603
Change in net position	9,337	7,093	2,461
Total net position – beginning	87,493	14,035	126,403
Total net position – ending	\$ 96,830	21,128	128,864
Condensed Statements of Cash Flows			
Net cash provided by (used in):			
Operating activities	\$ 115,955	(41,758)	169,419
Noncapital financing activities	(78,477)	(4,736)	(187,231)
Investing activities	2,078	106	6,878
Net increase (decrease)	39,556	(46,388)	(10,934)
Cash and cash equivalents, beginning of year	72,363	53,655	140,236
Cash and cash equivalents, end of year	\$ 111,919	7,267	129,302

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position

	Rental Housing Mortgage Programs						
	1998 Series A, B	2001 Series A, B, C, D	2001 Series E	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ —	—	—	155	150	280	175
Accrued interest receivable	—	—	—	2	38	37	52
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>157</u>	<u>188</u>	<u>317</u>	<u>227</u>
Noncurrent assets:							
Restricted cash and cash equivalents	—	—	—	202	246	245	354
Note receivable	—	—	—	—	—	—	—
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	—	—	—	—	—	—	—
Unrealized gain securitized mortgage loans	—	—	—	—	—	—	—
Total restricted securitized mortgage loans, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	—	—	—	8,266	8,108	8,106	10,925
Bond issuance costs, net	—	—	—	138	61	169	65
Total noncurrent assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,606</u>	<u>8,415</u>	<u>8,520</u>	<u>11,344</u>
Total assets	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>8,763</u>	<u>8,603</u>	<u>8,837</u>	<u>11,571</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ —	—	—	133	37	36	52
Accounts payable and other accrued expenses	—	—	—	—	—	—	1
Current portion of bonds payable	—	—	—	155	150	280	175
Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>288</u>	<u>187</u>	<u>316</u>	<u>228</u>
Noncurrent liabilities:							
Bonds payable, net	—	—	—	9,076	8,450	8,285	11,475
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,076</u>	<u>8,450</u>	<u>8,285</u>	<u>11,475</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,364</u>	<u>8,637</u>	<u>8,601</u>	<u>11,703</u>
Net position restricted for debt service	—	—	—	(601)	(34)	236	(132)
Total liabilities and net position	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>8,763</u>	<u>8,603</u>	<u>8,837</u>	<u>11,571</u>

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position

	Rental Housing Mortgage Programs						
	2004 Series E	2004 Series F, G	2005 Series A, B	2005 Series C, D	2005 Series E, F	2006 Series A	2007 Series A, B
Assets							
Current assets:							
Restricted cash and cash equivalents	\$ —	165	170	60	195	—	75
Accrued interest receivable	—	46	48	15	50	—	25
Other current assets	—	—	—	—	—	—	—
Intra-entity receivable (payable)	—	—	—	—	—	—	—
Total current assets	<u>—</u>	<u>211</u>	<u>218</u>	<u>75</u>	<u>245</u>	<u>—</u>	<u>100</u>
Noncurrent assets:							
Restricted cash and cash equivalents	—	322	431	114	313	—	204
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	—	9,815	10,589	3,643	11,577	—	5,374
Bond issuance costs, net	—	39	87	—	146	—	—
Total noncurrent assets	<u>—</u>	<u>10,176</u>	<u>11,107</u>	<u>3,757</u>	<u>12,036</u>	<u>—</u>	<u>5,578</u>
Total assets	\$ <u>—</u>	<u>10,387</u>	<u>11,325</u>	<u>3,832</u>	<u>12,281</u>	<u>—</u>	<u>5,678</u>
Liabilities and Net Position							
Current liabilities:							
Accrued interest payable	\$ —	45	46	15	50	—	24
Accounts payable and other accrued expenses	—	—	—	4	—	—	3
Current portion of bonds payable	—	165	170	60	195	—	75
Total current liabilities	<u>—</u>	<u>210</u>	<u>216</u>	<u>79</u>	<u>245</u>	<u>—</u>	<u>102</u>
Noncurrent liabilities:							
Bonds payable, net	—	10,261	10,985	3,838	12,151	—	5,627
Accrued arbitrage rebate	—	—	—	—	—	—	—
Total noncurrent liabilities	<u>—</u>	<u>10,261</u>	<u>10,985</u>	<u>3,838</u>	<u>12,151</u>	<u>—</u>	<u>5,627</u>
Total liabilities	<u>—</u>	<u>10,471</u>	<u>11,201</u>	<u>3,917</u>	<u>12,396</u>	<u>—</u>	<u>5,729</u>
Net position restricted for debt service	—	(84)	124	(85)	(115)	—	(51)
Total liabilities and net position	\$ <u>—</u>	<u>10,387</u>	<u>11,325</u>	<u>3,832</u>	<u>12,281</u>	<u>—</u>	<u>5,678</u>

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

Notes to Financial Statements

September 30, 2012

(In thousands)

Statement of Net Position

Rental Housing Mortgage Programs

Assets	2007 Series C, D	2008 Series A, B	2010 Series A, B	Total Rental Housing Mortgage Programs
Current assets:				
Restricted cash and cash equivalents	\$ —	—	20	1,445
Accrued interest receivable	157	1	4	475
Other current assets	—	—	—	—
Intra-entity receivable (payable)	(7)	—	—	(7)
Total current assets	<u>150</u>	<u>1</u>	<u>24</u>	<u>1,913</u>
Noncurrent assets:				
Restricted cash and cash equivalents	—	—	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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted mortgage loans, net	13,530	8,520	805	99,258
Bond issuance costs, net	—	—	—	705
Total noncurrent assets	<u>13,530</u>	<u>8,520</u>	<u>844</u>	<u>102,433</u>
Total assets	<u>\$ 13,680</u>	<u>8,521</u>	<u>868</u>	<u>104,346</u>
Liabilities and Net Position				
Current liabilities:				
Accrued interest payable	\$ 157	1	4	600
Accounts payable and other accrued expenses	—	—	1	9
Current portion of bonds payable	134	—	20	1,579
Total current liabilities	<u>291</u>	<u>1</u>	<u>25</u>	<u>2,188</u>
Noncurrent liabilities:				
Bonds payable, net	13,486	8,520	869	103,023
Accrued arbitrage rebate	—	—	—	—
Total noncurrent liabilities	<u>13,486</u>	<u>8,520</u>	<u>869</u>	<u>103,023</u>
Total liabilities	<u>13,777</u>	<u>8,521</u>	<u>894</u>	<u>105,211</u>
Net position restricted for debt service	(97)	—	(26)	(865)
Total liabilities and net position	<u>\$ 13,680</u>	<u>8,521</u>	<u>868</u>	<u>104,346</u>

See accompanying notes to financial statements.

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 Position	Rental Housing Mortgage Programs						
	1998 Series A, B	2001 Series A, B, C, D	2001 Series E	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 102	—	134	306	443	431	613
Interest on securities and temporary investments	—	—	—	18	14	23	26
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—
Loan and commitment fees	—	—	—	7	7	7	10
Administrative fees and other	(29)	—	(80)	(1)	—	—	—
Total operating revenues	73	—	54	330	464	461	649
Operating expenses:							
Interest expense	76	—	90	518	448	447	635
Amortization of bond issuance costs	—	—	—	9	4	10	4
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	5	—	—	369	77	2	104
Total operating expenses	81	—	90	896	529	459	743
Operating income (loss)	(8)	—	(36)	(566)	(65)	2	(94)
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net position	(8)	—	(36)	(566)	(65)	2	(94)
Total net position – beginning	8	—	36	(35)	31	234	(38)
Total net position – ending	\$ —	—	—	(601)	(34)	236	(132)
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 7,730	—	9,132	442	579	677	781
Noncapital financing activities	(7,903)	(1)	(9,444)	(682)	(593)	(712)	(801)
Investing activities	—	—	—	19	14	23	26
Net increase (decrease)	(173)	(1)	(312)	(221)	—	(12)	6
Cash and cash equivalents, beginning of year	173	1	312	578	396	537	523
Cash and cash equivalents, end of year	\$ —	—	—	357	396	525	529

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 Position	Rental Housing Mortgage Programs						
	2004 Series E	2004 Series F, G	2005 Series A, B	2005 Series C, D	2005 Series E, F	2006 Series A	2007 Series A, B
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 343	536	563	182	595	—	296
Interest on securities and temporary investments	—	18	25	—	17	—	—
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—
Loan and commitment fees	—	9	9	3	10	—	5
Administrative fees and other	(73)	—	—	—	—	(40)	—
Total operating revenues	270	563	597	185	622	(40)	301
Operating expenses:							
Interest expense	333	547	557	184	604	(503)	297
Amortization of bond issuance costs	—	2	5	(1)	6	—	(1)
Provision (recovery) for loan losses	—	—	—	—	—	—	—
Administrative fees and other	(46)	93	3	35	111	(53)	2
Total operating expenses	287	642	565	218	721	(556)	298
Operating income (loss)	(17)	(79)	32	(33)	(99)	516	3
Other financing sources (uses) – operating transfers	—	—	—	—	—	—	—
Change in net position	(17)	(79)	32	(33)	(99)	516	3
Total net position – beginning	17	(5)	92	(52)	(16)	(516)	(54)
Total net position – ending	\$ —	(84)	124	(85)	(115)	—	(51)
Condensed Statements of Cash Flows							
Net cash provided by (used in):							
Operating activities	\$ 7,454	686	723	240	776	9,190	362
Noncapital financing activities	(7,526)	(697)	(723)	(244)	(791)	(9,230)	(367)
Investing activities	—	18	24	—	17	—	—
Net increase (decrease)	(72)	7	24	(4)	2	(40)	(5)
Cash and cash equivalents, beginning of year	72	480	577	178	506	40	284
Cash and cash equivalents, end of year	\$ —	487	601	174	508	—	279

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 Position	Rental Housing Mortgage Programs			Total Rental Housing Mortgage Programs
	2007 Series C, D	2008 Series A, B	2010 Series A, B	
Operating revenues:				
Interest on mortgage loans and securitized mortgage loans	\$ 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	—	—	10	77
Administrative fees and other	1	—	—	(222)
Total operating revenues	884	17	80	5,510
Operating expenses:				
Interest expense	883	17	62	5,195
Amortization of bond issuance costs	—	—	—	38
Provision (recovery) for loan losses	—	—	—	—
Administrative fees and other	7	—	(3)	706
Total operating expenses	890	17	59	5,939
Operating income (loss)	(6)	—	21	(429)
Other financing sources (uses) – operating transfers	—	—	—	—
Change in net position	(6)	—	21	(429)
Total net position – beginning	(91)	—	(47)	(436)
Total net position – ending	(97)	—	(26)	(865)
Condensed Statements of Cash Flows				
Net cash provided by (used in):				
Operating activities	\$ 1,011	17	2,832	42,632
Noncapital financing activities	(1,011)	(17)	(2,865)	(43,607)
Investing activities	—	—	1	142
Net increase (decrease)	—	—	(32)	(833)
Cash and cash equivalents, beginning of year	—	—	91	4,748
Cash and cash equivalents, end of year	—	—	59	3,915

See accompanying notes to financial statements.

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, 2013

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:					
Very Low to Moderate Income Housing Loans	10.410	NA	\$ —	209,911	209,911
Section 538 Rural Rental Housing Guaranteed Loans	10.438	NA	—	1,084,780	1,084,780
Total U.S. Department of Agriculture			—	1,294,691	1,294,691
U.S. Department of Housing and Urban Development:					
Mortgage Insurance – Homes (FHA)	14.117	N/A	—	4,008,978	4,008,978
Housing Counseling Assistance Program	14.169	HC12-0841-003	85,166	—	85,166
Housing Finance Agencies Risk Sharing Program	14.188	N/A	2,202,901	88,363,620	90,566,521
Section 8 Housing Choice Vouchers	14.195	NM800CC001	27,587,049	—	27,587,049
Training and Technical Assistance	14.227	NMHM00208	3,279	—	3,279
Community Development Block Grant (CDBG) pass-through State DFA *	14.228	11-C-NR-1-06-G-102	18,855	—	18,855
Neighborhood Stabilization Program pass-through State DFA (a CDBG grant) *	14.228	09-NSP-2-J-01	827,134	3,922,119	4,749,253
Total CDBG Grant			845,989	3,922,119	4,768,108
Emergency Solutions Grants Program	14.231	S-13-DC-35-0001	1,482,391	—	1,482,391
HOME Investment Partnerships Program *	14.239	M-13-SG-35-0100	9,200,162	40,405,432	49,605,594
Housing Opportunities for Persons with AIDS	14.241	NMH013-F999	503,383	—	503,383
Rural Housing and Economic Development Program	14.250	RH-09-NM-1-0072	337,998	—	337,998
ARRA – Tax Credit Assistance Program*	14.258	M-09-ES-35-0100	—	13,753,459	13,753,459
Emergency Homeowners Loan program pass-through from Neighborworks America	14.323	NA	2,868	—	2,868
Total U.S. Department of Housing and Urban Development			42,251,186	150,453,608	192,704,794
U.S. Department of the Treasury, pass-through from Neighborworks America National Foreclosure Mitigation Counseling	21.000	PL112-55:95X1350	15,948	—	15,948
U.S. Department of Veterans Affairs					
Veterans Housing – Guaranteed and Insured Loans	64.114	NA	—	157,824	157,824
U.S. Department of Energy:					
Weatherization Assistance for Low-Income Persons*	81.042	EE0000207	1,304,892	—	1,304,892
ARRA – Weatherization Assistance for Low-Income Persons Training Center *	81.042	EE0004091	94,246	—	94,246
ARRA – Weatherization Assistance for Low-Income Persons *	81.042	EE0000104	438,527	—	438,527
Total Weatherization Assistance for Low-Income Persons			1,837,665	—	1,837,665
ARRA – Energy Efficiency and Conservation Block Grant Program pass-through from Santa Fe County	81.128	DE-SC0002592	84,882	—	84,882
Total U.S. Department of Energy			1,922,547	—	1,922,547
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	14-630-9000-0003	2,096,644	—	2,096,644
Total federal awards			\$ 46,286,325	151,906,123	198,192,448

* Major program as defined by OMB Circular A-133

See accompanying notes to schedule of expenditures of federal awards.

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, 2013

(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, 2013 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, 2013, the Authority recorded approximately \$4,009,000 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 47 loans. HUD's assumed risk approximated \$109,564,000 at September 30, 2013. Of the 47 loans closed, the Authority funded 34 loans with outstanding principal of \$100,629,000 at September 30, 2013. HUD's assumed risk of loss of approximately \$90,567,000 related to these 34 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, 2013, the loan had an outstanding principal of \$1,205,000, of which the USDA assumed risk of loss of approximately \$1,085,000 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, 2013

(6) Subrecipients

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

<u>Federal grants/program title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
Housing Counseling Assistance Program	14.169	\$ 84,879
Section 8 Housing Choice Vouchers	14.195	26,703,419
Neighborhood Stabilization Program (a CDBG grant)	14.228	786,958
Community Development Block Grant (CDBG)	14.228	18,855
Emergency Solutions Grants Program	14.231	1,381,034
HOME Investment Partnerships Program	14.239	8,811,259
Housing Opportunities for Persons with AIDS	14.241	483,503
Rural Housing and Economic Development Program	14.250	336,606
Emergency Homeowner's Loan Program	14.323	<u>2,868</u>
Total U.S. Department of Housing and Urban Development		<u>38,609,381</u>
U.S. Department of the Treasury:		
National Foreclosure Mitigation Counseling	21.000	15,948
U.S. Department of Energy:		
Weatherization Assistance Program for Low-Income Persons	81.042	1,202,519
ARRA – Weatherization Assistance Program for Low-Income Persons *	81.042	397,414
ARRA – Weatherization Assistance Program for Low-Income Persons Training Center *	81.042	89,842
ARRA – Energy Efficiency and Conservation Block Grant Program *	81.128	<u>83,933</u>
		1,773,708
U.S. Department of Health and Human Services:		
Low-Income Home Energy Assistance Program	93.568	<u>2,013,060</u>
Total federal assistance awarded to subrecipients		<u>\$ 42,412,097</u>

* American Recovery and Reinvestment Act of 2009



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

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

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

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 13-02.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
January 10, 2014



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report on Compliance for Each Major Program and Report 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:

Report on Compliance for Each Major Federal Program

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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of 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, 2013.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 13-01. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-01, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
January 10, 2014

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

Summary Schedule of Prior Year Audit Findings

September 30, 2013

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

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

Schedule of Findings and Questioned Costs

September 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major programs:

Program name	CFDA number
Community Development Block Grant/Neighborhood Stabilization Program	14.228
Home Investment Partnerships Program	14.239
ARRA – Tax Credit Assistance Program	14.258
ARRA and Non-ARRA – Weatherization Assistance for Low-Income Persons	81.042

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

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

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

Schedule of Findings and Questioned Costs

September 30, 2013

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding Number: 13-01

Federal Agency: U.S. Department of Housing and Urban Development

Program Name: Community Development Block Grant / Neighborhood Stabilization Program

CFDA No. and Program Expenditures: 14.228 (\$4,768,108)

Grant Numbers: 09-NSP-2-J-01

Fiscal Program Award Year Ended: 2013

Compliance Requirement: Reporting

Type of Finding: Instance of Noncompliance and Significant Deficiency in Internal Control

Questioned Cost: None

Responsible Division: NSP Program Personnel

Condition:

Per OMB Circular A-133 and the Grant Agreement, the program is required to submit bimonthly reports to the funding agent. Of the two reports we tested, we noted instances in both reports where MFA could not accurately support the information submitted to the Department of Finance and Administration as follows:

- January 2013:

Report item	MFA Source document	Bimonthly report	Difference
Purchase and Rehab Homes expenditures to date per activity – funds drawn down for administration amount	\$ 455,747	457,747	2,000
Yes NSP LLC Total Obligated amount	4,317,319	4,323,636	(6,317)
Yes NSP LLC Expended amount	4,317,319	4,295,682	21,637

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

Schedule of Findings and Questioned Costs

September 30, 2013

- July 2013:

Report item	MFA Source document	Bimonthly report	Difference
Administration Expenditure – Estimated NSP Funds Obligated amount	\$ 488,638	783,720	295,082

Criteria:

Joint Powers Agreement Amendment No. 4 requires MFA to submit bimonthly progress reports. These reports must provide detailed information on MFA’s progress toward achieving the required benchmarks.

Cause:

The Authority is not ensuring the accuracy of the Bimonthly report information prior to the report submission.

Effect:

The lack of monitoring increases the risk of inaccurate reporting.

Recommendation:

We recommend that each report be independently reviewed by someone other than the preparer. This review would entail a review of the report and all relevant supporting documentation to ensure the report is complete and accurate prior to submission. We further recommend that a copy of the filed report and all supporting documentation be maintained in the files.

Response:

The report is being reviewed by someone other than the preparer, and copies of the report and all supporting documentation are being maintained in the files. The reviewer will be more diligent in reviewing the report and the supporting documentation to ensure the report is complete and accurate prior to submission.

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

Schedule of Findings and Questioned Costs

September 30, 2013

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

13-02 Monitoring of Fringe Benefits

Condition:

We noted that the Authority was not monitoring the wellness benefits offered to its employees to ensure compliance with the wellness program requirements. Two of the three employees tested did not provide proof of an active gym membership to the agency (\$440 for the fiscal year). One of the three employees tested did provide proof of an active gym membership, although it did not cover the entire fiscal year (\$220 for the fiscal year). The Authority requires supporting documentation from the employee when requesting wellness program benefits; the enrolled employees are to self-report any changes in their gym membership status.

Criteria:

The Authority should receive proof of membership from the employee for the covered period. In addition, IRS Publication 15 (Circular E) requires employers to maintain records of fringe benefits and expenses reimbursements provided to employees, including substantiation.

Cause:

Operating procedures are not in place for monitoring of active employees in its wellness program.

Effect:

There is an increased risk of benefits being paid improperly.

Recommendation:

We recommend that the Authority implement policies and procedures to monitor the requirements of all fringe benefit programs offered to its employees. Specifically, the Authority should inform the employees of the initial and ongoing documentation requirements concerning the wellness program and monitor their status on an annual basis.

Response:

Management agrees. The documentation requirements for the wellness program will be documented in the Employee Manual and active status will be monitored regularly.

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, 2013

	<u>Bank balance</u>	<u>Book balance</u>
Wells Fargo MFA Housing Programs deposit account	\$ 1,529,845	2,450,341
Wells Fargo MFA Housing Programs repurchase agreement	920,496	
FDIC Insurance	<u>(54,637)</u>	
Uninsured public funds	<u>\$ 2,395,704</u>	

	<u>Bank balance</u>	<u>Required collateral</u>
50% collateral requirement for deposit account	\$ 1,475,208	737,604
102% collateral requirement for repurchase agreement	920,496	938,906
Total collateral requirement	<u>\$ 2,395,704</u>	<u>1,676,510</u>

	<u>CUSIP</u>	<u>Rate</u>	<u>Maturity</u>		
Collateral (at fair value):					
Deposit account	FNMA pooled security	3138MSC56	3.00%	2/1/2043	\$ 14,533
	FNMA pooled security	3138W9K66	4.00	8/1/2043	367,970
	FNMA pooled security	3138WQAY8	3.00	5/1/2043	90,850
	FNMA pooled security	3138WRXB1	3.00	6/1/2043	93,409
	FNMA pooled security	31418ABC1	3.00	11/1/2026	194,419
	FNMA pooled security	31418WPP9	4.50	8/1/2040	263,983
Repurchase agreement	FNMA pooled security	3138WQQS4	3.00	4/1/2043	<u>938,906</u>
Total collateral (at fair value)					<u>\$ 1,964,070</u>
Over collateral requirement					\$ 287,560

Wells Fargo has pledged the above collateral, which is being held in safekeeping by Bank of New York Mellon and 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, 2013

(unaudited)

Exit Conference

An exit conference was conducted on December 10, 2013 in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority:

Dennis Burt

Sharron Welsh (via telephone)

Mark Van Dyke

Jay Czar

Gina Hickman

Joseph Montoya

Yvonne Segovia

Erik Nore (via telephone)

Monica Abeita

KPMG LLP:

Cynthia Reinhart

Nick Williams

New Mexico Office of the State Auditor:

Natalie Cordova

Andrew Gallegos

Chair of Finance Committee and Board

Finance Committee and Board Member

Finance Committee Member

Executive Director

Deputy Director of Finance
and Administration

Deputy Director of Programs

Controller

Director of Home Ownership

Senior Policy and Program Advisor

Partner

Audit Senior

Financial Audit Director

Audit Supervisor