

PROGRAM: MFA Tax Exempt Bond Financing

AGENCY: The Mortgage Finance Authority

DESCRIPTION: MFA will provide bond financing for multifamily housing developments through the following mechanisms:

- Using Private Activity Bond Volume Cap (PABVC) multifamily project allocations from the State Board of Finance (“SBOF”) for new tax exempt bond issues;
- Refunding outstanding bond issues; or
- Issuing new 501(c)(3) bonds.
- MFA may issue the bonds with or without providing the credit enhancement. As a “conduit” issuer MFA issues the bonds that fund the developer’s loans, but does not provide loans or take the credit risk. Consequently, the interim and permanent financing, along with the credit enhancement for the bonds, must be provided through other sources proposed by the developer of the project. Alternatively, MFA can provide the credit enhancement with the use of its 542(c) FHA Mortgage Insurance Program. Processing and approvals are different in each case, with credit enhancement requiring considerable more due diligence on MFA’s part.

ELIGIBILITY:

- All conduit financings have federally imposed minimum tenant income restrictions. In most cases these involve a set-aside of 20% of the units for tenants earning no more than 50% of median income, or 40% of the units for tenants earning no more than 60% of median income, each adjusted for family size. Rents are not restricted under the bond requirements per se, but Tax Credits and most other subsidies will limit rents to 30% of the applicable income limit.
- Projects which meet the criteria of other MFA multifamily programs may be eligible for additional subsidies, including the Housing Tax Credit, HOME Rental assistance Primero Investment Fund seed money loans and/or BUILD interim loan guaranties. Further material on each program is available from MFA.

STRUCTURE:

- Application and Processing: Following the submission of a complete Development Project Application by the developer, MFA will begin processing the request. Requests may be submitted at any time of year, although those which require PABVC allocations should be submitted to MFA at least 60 days prior to the State Board of Finance’s submission date for the meeting in which bond volume cap allocations are to be made. (Because multifamily bond volume cap is extremely competitive and typically awarded in the first quarter of each calendar year, this two-month advance deadline would require a request to MFA no later than October 15th of the year prior to the year of the desired allocation.) Additional time may be needed to obtain MFA approval for credit enhancement, but this is done after the SBOF award of bond cap.
- MFA will adopt an inducement resolution, if needed, at the first or second board meeting following the submission. If all requirements are met promptly by the developer, the bond closing can occur within 60 to 90 days of the delivery of firm financing and credit enhancement commitments.
- The second resolution required by MFA – the bond resolution itself – cannot be passed until all credit enhancement and financing commitments are in place. The process would proceed as follows:
 - Developer Submits Application to MFA to Issue Bonds and Complete the Consistency with the Qualified Allocation Plan Review,
 - Developer and MFA Staff meet to discuss process,
 - MFA Board passes Inducement Resolution,

- MFA completes Determination of Consistency with the QAP (new PABVC issues only) and Section 911/Subsidy Layering Review (Tax Credit Projects only);
- Developer and MFA Staff Prepare and Submit Application to SBOF (new PABVC issues only);
- SBOF acts on request for bond cap and, if successful;
 - MFA arranges Scoping Meeting with All Financial Interests and Counsel Represented,
 - Developer Obtains Financing and Credit Enhancement Commitments,
 - Documents are drafted by MFA bond counsel,
 - MFA publicizes and arranges TEFRA Hearing,
 - MFA Board passes Bond Resolution, and
 - All complete bond issue/closing.
- Tax Credit Review: Virtually all bond cap projects will use Low Income Housing Tax Credits as an additional subsidy. This requires a market study, a determination that the project is “consistent with the Qualified Allocation Plan (QAP)” and in some case a “911 Subsidy Layering Review”, both of which must be completed by MFA. Developer requirements and fees described in the QAP, are available on MFA’s web site.
- Other loan and bond financing terms are based on current bond market conditions and negotiated among underwriters, lenders, credit enhancement providers, etc. Bond Cap is limited to \$8 million per project and 70% of the total financing of the project, as stated in the QAP.
- MFA selects the trustee, bond counsel, and financial advisor through its own independent procedures. An investment bank may be proposed by the developer, but is subject to MFA approval and must meet MFA’s disclosure and conflict of interest provisions. One of MFA’s banking team members must participate.
- The developer will be responsible for all costs of issuance and other direct costs of MFA. Fees will be paid as follows:
 - Application Fee due at submission of application. Ten dollars per unit, and non refundable.
 - Commitment Fee due prior to preparation of bond documents, in the amount of 50 basis points (0.5%) of the bond issue amount, and non refundable.
 - Direct Cost Deposit due at scoping meeting, in the amount of 50% of MFA’s Cost of Issuance. Credited against MFA’s COI and excess, if any, returned at closing. (Additional COI due to other third parties will also be the obligation of the developer.)
 - Annual Administration Fee paid with debt service, in the amount of 15 basis points for LIHTC projects, or 30 basis points for non-LIHTC projects.
 - Transfer Fee of \$2,500, plus direct cost reimbursement, due at submission of request for transfer of ownership or substitution of credit enhancement.
 - If MFA provides credit enhancement, additional fees related to loan processing and origination will apply.
- Additional financing may be derived through the sale of taxable bonds along with the tax exempt bonds.

QUALIFICATIONS/CRITERIA:

- MFA’s statute requires ratings of A or better for publicly sold bond issues.
- Private placements must be A-rated and credit enhanced, or at MFA’s discretion, the following requirements may be substituted: ownership by a single bondholder, no bond registration through

Depository Trust Company, delivery of a “sophisticated investor letter” by the bond purchaser and any subsequent bond owner, and a documented prohibition against bond default.

- If the MFA’s 542c credit enhancement program is not used, other possible sources of credit enhancement include FHA mortgage insurance, FNMA securitization, and private bank letters of credit.
- For additional information contact Linda Bridge, Senior Development Program Manager, Main: (505) 843-6880, Direct: (505) 767-2262
- Visit the MFA’s homepage at <http://www.housingnm.org/> or call (505) 843-6880 (800) 444-6880 (Toll free in New Mexico)

PROGRAM: New Mexico Aviation Funding Program

AGENCY: State Highway and Transportation Department, Aviation Division

DESCRIPTION: The purpose of the New Mexico Aviation Funding Program is to assist communities financially with their airport facilities.

ELIGIBLE USE:

- Funding may be used to:
 - Construct new facilities,
 - Improve existing facilities, or
 - Maintain existing facilities.

PROGRAM/LOAN STRUCTURE:

- Financial assistance is provided through a combination of
 - 95% Federal Aviation Administration funds
 - 2.5% New Mexico aviation program funds, and
 - 2.5% community funds, if possible.

QUALIFICATION CRITERIA/COMMENTS:

- The aviation division facilitates the application process through the Federal Aviation Administration on behalf of a community.
 - Funds are dispersed based on the needs of an aviation facility and the states fiscal budget beginning in July of each year.
 - Visit the aviation division's webpage at <http://www.nmshtd.state.nm.us/main.asp?secid=10871> or call 476-0930.
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AGENCY: New Mexico Community Development Loan Fund **Via Partner Organization**

DESCRIPTION: The agency's mission is to provide loans and assistance to improve the economic and social conditions of New Mexicans. The NMCDLF is designed to alleviate the high poverty rate in the state; and to assist New Mexicans in becoming economically self-sufficient. The organization is a 501(c)(3) nonprofit with bilingual loan officers. It provides service to rural, urban, native and all of New Mexico.

ELIGIBILITY:

- Services are available to small business owners and non-profit organizations.
- Loans and business advising/training are available.
- Some potential small businesses uses include startups and expansions, entrepreneurs, family-owned businesses, etc.
- Some nonprofit uses include affordable housing projects, daycare, health care, cultural organizations, cooperatives, youth organizations, etc.

STRUCTURE:

- Loan Terms:
 - Loan Amounts based on Needs
 - Collateral Required