KPMG

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

Single Audit Reports

September 30, 2005

(With Independent Auditors' Report Thereon)

12-28-05

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State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

December 28, 2005

SAO Ref. No. 814

Diane D. Denish, NM Lieutenant Governor, Chair
The New Mexico Mortgage Finance Authority
344 4th Street, SW
Albuquerque, NM 87102-

SUBJECT: Audit Report—The New Mexico Mortgage Finance Authority—2004-2005 Fiscal Year—Prepared by State Auditor's Office

Your agency audit report was received by the Office of the State Auditor (Office) on December 15, 2005. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

As per your written request, this office is waiving the ten (10) day waiting period and is making the report public record immediately. The audit report will be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 108 - 109. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

Domingo P. Martinez

DOMINGO P. MARTINEZ, CGFM
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration
Financial Control Division & Budget Division
Office of the State Treasurer
State Auditor's Office

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

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

Board of Directors as of September 30, 2005

Name	**Title**
Diane D. Denish, New Mexico Lieutenant Governor	Chair
Michael Sivage	Vice Chair
Jimmy Daskalos	Treasurer
Robert Vigil, New Mexico State Treasurer	Member
Patricia Madrid, New Mexico Attorney General	Member
Mike Loftin	Member
Justin Harper	Member

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

Independent Auditors' Report

Authority Members
New Mexico Mortgage Finance Authority:

We have audited the accompanying financial statements of the business-type activities of the New Mexico Mortgage Finance Authority, a component unit of the state of New Mexico, (the Authority) as of and for the years ended September 30, 2005 and 2004, which comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2005 and 2004, and the respective changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

JC 12-28-05

Our audits were 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. In addition, the schedule of pledged collateral is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of pledged collateral and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Office of the State Auditor KPMG LLP

November 4, 2005

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, 2005 and 2004. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the Authority's activities. This analysis should be read in conjunction with the Independent Auditors' Report, audited financial statements, and accompanying notes.

Financial Highlights

The Authority's overall financial position and results of operations for the current and two most recent prior years are presented below (in thousands).

		2005	2004	2003
Cash and cash equivalents (unrestricted and restricted)	$	520,187	420,049	345,461
Investments (unrestricted and restricted)		29,852	31,413	38,041
MBS and mortgage loans receivable		896,772	924,119	958,894
Total assets		1,474,508	1,404,242	1,373,600
Bonds payable		1,324,844	1,244,522	1,195,039
Total liabilities		1,347,006	1,266,737	1,231,137
Total net assets		127,502	137,505	142,463
Total operating revenues		58,172	61,563	75,910
Total operating expenses		68,175	66,521	75,968
Operating loss		(10,003)	(4,958)	(58)

Financial Position

The net assets of the Authority decreased $10.0 million from September 30, 2004 to September 30, 2005 and $5.0 million from September 30, 2003 to September 30, 2004. The following table is a condensed summary of net assets at September 30, 2005, 2004 and 2003 (in thousands):

		2005	2004	2003
Assets:				
Current assets	$	359,141	279,386	34,615
Noncurrent assets		1,115,367	1,124,856	1,338,985
Total assets		1,474,508	1,404,242	1,373,600
Liabilities:				
Current liabilities		333,646	260,019	24,045
Noncurrent liabilities		1,013,360	1,006,718	1,207,092
Total liabilities		1,347,006	1,266,737	1,231,137
Net assets:				
Invested in capital assets, net of related debt		(347)	(124)	(14)
Restricted		36,069	51,082	66,109
Unrestricted		91,780	86,547	76,368
Total net assets	$	127,502	137,505	142,463

Comparison of Years Ended September 30, 2005 and 2004

The increase in cash and cash equivalents and restricted cash reflects increased securitized mortgage loans (MBS) and mortgage loan prepayments (payoffs) and excess revenues held at September 30, 2005 in anticipation of bond redemptions scheduled for January 1, as well as the $99.3 million increase in the Authority's Draw Down facility maintained for the purpose of escrowing volume cap. The decrease in investments is primarily due to the shift from invested funds to liquid funds (i.e., cash, restricted cash and cash equivalents) in order to facilitate increased bond redemptions. The Authority purchased $125.8 million in MBSs during the year; however, the low mortgage interest rates experienced during the year led to high MBS prepayments of $159.7 million and whole loan prepayments of $4.5million, reflected in the $27.3 million net decrease of MBS and mortgage loans receivable. The overall effect of these elements resulted in the 5% increase in total assets.

The effect of low interest rates over the past year is also a factor in the $80.3 million net increase in bonds payable. Proceeds from the issuance and sale of bonds and note payable were $652.5 million; however, bond repayments and refundings totaled $569.4 million, resulting in a net increase for the year. This net increase in bonds payable was primarily the result of the increase in the Draw Down facility and the new bonds issued offset by the high level of mortgage loan prepayments as many borrowers refinanced their loans. The Authority received $174.9 million repayments of securitized mortgage loans and $13.9 million repayments of whole loans during the year.

(Continued)

The net increase in current assets of approximately $79.8 million is primarily the result of an increase of $99.3 million in the Authority's Draw Down facilities in order to escrow additional volume cap from prior bonds redeemed with prepayments. Similarly, the net increase in current liabilities of approximately $73.6 million is primarily the result of the increase in Draw Down facility bonds.

Comparison of Years Ended September 30, 2004 and 2003

The increase in cash and cash equivalents and restricted cash reflects increased MBS and mortgage loan payoffs and excess revenues held at September 30, 2004 in anticipation of bond redemptions scheduled for January 1, as well as the $154 million increase in the Authority's Draw Down facility maintained for the purpose of escrowing volume cap. The decrease in investments is primarily due to the shift from invested funds to liquid funds (i.e., cash, restricted cash, and cash equivalents) in order to facilitate increased bond redemptions. The Authority purchased $203 million in MBSs during the year; however, the low mortgage interest rates experienced during the year led to high MBS prepayments of $186 million and whole loan prepayments of $8 million, reflected in the $35 million net decrease of MBS and mortgage loans receivable. The overall effect of these elements resulted in the 2% increase in total assets.

The effect of low interest rates over the past year is also a factor in the $49 million net increase in bonds payable. Proceeds from the issuance and sale of bonds and note payable were $698 million; however, bond repayments and refundings totaled $659 million, resulting in a net increase for the year. This net increase in bonds payable was primarily the result of the increase in the Draw Down facility and the new bonds issued offset by the high level of mortgage loan prepayments as many borrowers refinanced their loans. The Authority received $233 million repayments of securitized mortgage loans and $28 million repayments of whole loans during the year.

The net increase in current assets of approximately $245 million is primarily the result of shortening of the term of the Authority's Draw Down facilities, totaling $238 million, from a three-year term in 2003 to a one-year term in 2004. Similarly, the net increase in current liabilities of approximately $236 million is primarily the result of a mandatory tender provision on the $238 million of Draw Down facility bonds. This change in the term of the Draw Down facility bonds also caused the decreases in noncurrent assets and noncurrent liabilities from 2003 to 2004.

Change in Financial Position

The Authority's operating loss for the year increased by approximately $5.0 million when compared to fiscal year 2004. The following table is a condensed summary of changes in net assets for the years ended September 30, 2005, 2004, and 2003 (in thousands):

		2005	2004	2003
Operating revenues:				
Interest on loans and MBSs	$	50,497	51,732	63,193
Interest on investments		17,885	12,994	12,387
Program revenues		1,334	1,297	1,392
Net decrease in fair value of investments		(16,311)	(9,713)	(5,527)
Loan and commitment fees		1,995	2,875	2,309
Administrative fees and other revenues		2,772	2,378	2,156
Total operating revenues		58,172	61,563	75,910
Operating expenses:				
Interest expense		59,451	56,554	65,920
Administrative fees and other		8,724	9,967	10,048
Total operating expenses		68,175	66,521	75,968
Operating (loss) income		(10,003)	(4,958)	(58)
Nonoperating revenues (expenses):				
Grant award income		33,758	30,936	31,754
Grant award expense		(33,758)	(30,936)	(31,754)
		—	—	—
Change in net assets		(10,003)	(4,958)	(58)
Total net assets, beginning of year		137,505	142,463	142,521
Total net assets, end of year	$	127,502	137,505	142,463

Comparison of Years Ended September 30, 2005 and 2004

The change in fair value of securities for 2005 was a decrease of $16.3 million compared to a decrease of $9.7 million in 2004. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2005 compared to their fair value at September 30, 2004 due to current conditions as required by Governmental Accounting Standards Board Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* (GASB 31). The effect of the change from 2004 to 2005 is a decrease year over year of $6.6 million. Without the GASB 31 adjustment, the increase in operating income was approximately $1.6 million.

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Operating revenues decreased $3.4 million from 2004 to 2005, primarily due to the difference in the GASB 31 adjustment as described above. Without the adjustment, operating revenues were approximately $3.2 million more than the prior year, as the low interest rate environment began to moderate, affecting mortgage interest revenue. Higher rate mortgages prepaid at a high rate, although not as high as in 2004, thereby reducing mortgage interest revenue by approximately $1.2 million. However, as rates began to rise, interest revenue from investment securities increased over the prior year by approximately $4.9 million, due to the increased volume of invested cash as loans continued to prepay.

Operating expenses increased by $1.7 million, primarily due to the $80.3 million increase in bonds payable discussed above, affecting the $2.9 million increase in bond interest expense. Loss on early redemption of bonds, which is included in program expenses, decreased by approximately $1.2 million due to decreased redemptions from prepayments in 2005.

Comparison of Years Ended September 30, 2004 and 2003

The change in fair value of securities for 2004 was a decrease of $10 million compared to a decrease of $6 million in 2003. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2004 compared to their fair value at September 30, 2003 as required by GASB 31. The effect of the change from 2003 to 2004 is a decrease year over year of $4 million. Without the GASB 31 adjustment, the decrease in operating income was approximately $0.7 million.

Operating revenues decreased $14 million from 2003 to 2004, primarily due to the decrease in interest on mortgage loans and securitized mortgage loans and the GASB 31 adjustment as described above. Without the GASB 31 adjustment, operating revenues were approximately $10 million less than the prior year, as the low interest rate environment affected mortgage interest revenue. Higher rate mortgages prepaid at an extremely high rate thereby reducing mortgage interest revenue by approximately $11.5 million. However, despite lower rates, interest revenue from investment securities increased over the prior year by approximately $0.6 million, due to the increased volume of invested cash as loans continued to prepay.

Operating expenses decreased by $9.4 million. As discussed above, prepayments from higher rate mortgage loans propelled the redemption of higher rate bonds, while new bonds were issued at some of the lowest rates in the Authority's history. Combined, these two factors greatly affected the $9.3 million decrease in interest expense.

Debt Administration

During fiscal year 2005, the Authority issued $118.7 million of Single Family Program revenue bonds, $35.8 million less than the $154.5 million issued in 2004. The Authority redeemed $130 million of Single Family Program bonds due to the high level of prepayments, compared to $278 million in 2004. The Authority also issued $166.7 million of Draw Down Program bonds, for the purposes of (1) refunding prior bonds which have recyclable Private Activity Bond Volume Cap (Cap) and (2) matching current year Cap with a borrowing, in order to capture tax-exempt bond issuance authority for future low-interest loans. All of the new $118.7 million Single Family Program bonds issued in 2005 obtained Cap by refunding Draw Down Program bonds.

During fiscal year 2004, the Authority issued $154.5 million of Single Family Program revenue bonds slightly lower than the $157.5 million issued in 2003. The Authority redeemed $278 million of Single Family Program bonds due to the high level of prepayments, compared to $113 million in 2003. The Authority also issued $154 million of Draw Down Program bonds, for the purposes of (1) refunding prior bonds which have recyclable Private Activity Bond Volume Cap (Cap) and (2) matching current year Cap with a borrowing, in order to capture tax-exempt bond issuance authority for future low-interest loans. All of the new $154.5 million Single Family Program bonds issued in 2004 obtained Cap by refunding Draw Down Program bonds.

More detailed information about the Authority's outstanding debt obligations is presented in notes 5, 6, and 7 of the notes to the basic financial statements.

Economic Outlook

The Authority's single family programs and investment income are the main sources of revenues. Market interest rates have an effect on both the single family programs and investment income revenues. If interest rates continue at current levels, the Authority expects single family and investment income to be stable or to decrease slightly. If interest rates rise, the Authority expects single family and investment income to increase as new loans are originated and new investments are purchased at the higher levels. If interest rates fall, the Authority expects single family and investment income to decrease as new loans are originated and new investments are purchased at the lower levels. The Authority also expects a drop in market rates to cause an increase in prepayments on higher rate mortgages, and conversely, an increase in market rates to cause a decrease in prepayments. The Authority uses these prepayments to call the corresponding series bonds.

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

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Balance Sheets

September 30, 2005 and 2004

(In thousands)

Assets	2005	2004
Current assets:		
Cash and cash equivalents (note 2):		
Unrestricted	$ 30,919	23,244
Restricted	321,934	249,775
Total cash and cash equivalents	352,853	273,019
Accrued interest receivable	5,467	5,744
Other current assets	821	623
Total current assets	359,141	279,386
Noncurrent assets:		
Restricted cash and cash equivalents (note 2)	167,334	147,030
Restricted investments and reserve funds (note 2):		
Restricted investments and reserve funds, net (cost)	13,245	17,041
Unrealized gain (loss) on restricted investments and reserve funds	(97)	213
Restricted investments and reserve funds, net	13,148	17,254
Unrestricted investments (note 2):		
Unrestricted investments, net (cost)	17,128	14,272
Unrealized loss on unrestricted investments	(424)	(113)
Unrestricted investments, net	16,704	14,159
Restricted note receivable	9,900	9,900
Restricted securitized mortgage loans, net (note 3):		
Securitized mortgage loans, net (cost)	715,673	766,905
Unrealized gain on securitized mortgage loans	2,871	18,563
Restricted securitized mortgage loans, net	718,544	785,468
Restricted mortgage loans, net (note 3)	132,683	87,612
Unrestricted mortgage loans, net (note 3)	45,545	51,039
Bond issuance costs, net	9,205	9,897
Capital assets (note 4)	2,300	2,452
Other noncurrent assets	4	45
Total noncurrent assets	1,115,367	1,124,856
Total assets	$ 1,474,508	1,404,242

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

Balance Sheets

September 30, 2005 and 2004

(In thousands)

Liabilities and Net Assets	**2005**	**2004**
Current liabilities:		
Accrued interest payable	$ 8,309	8,870
Accounts payable and other accrued expenses	3,403	1,374
Current portion of bonds payable	321,446	249,306
Current portion of notes payable	488	469
Total current liabilities	333,646	260,019
Noncurrent liabilities (note 8):		
Bonds payable, net (note 5 and 7)	1,003,398	995,216
Note payable (note 6)	7,861	8,360
Accrued arbitrage rebate	346	490
Other noncurrent liabilities	1,755	2,652
Total noncurrent liabilities	1,013,360	1,006,718
Total liabilities	1,347,006	1,266,737
Net assets:		
Invested in capital assets, net of related debt	(347)	(124)
Restricted for debt service	36,069	51,082
Unrestricted	91,780	86,547
Total net assets (note 11)	127,502	137,505
Commitments and contingencies (note 12)		
Total liabilities and net assets	$ 1,474,508	1,404,242

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended September 30, 2005 and 2004

(In thousands)

		2005	2004
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	$	50,497	51,732
Interest on securities and investments		17,885	12,994
Net decrease in fair value of investments		(16,311)	(9,713)
Housing program income		1,028	1,012
Program servicing fees		306	285
Loan and commitment fees		1,995	2,875
Administrative fees and other revenues		2,772	2,378
Total operating revenues		58,172	61,563
Operating expenses:			
Interest expense		59,451	56,554
Amortization of bond issuance costs		2,452	3,752
Provision (recovery) for loan losses		(4)	47
Administrative and other expenses		6,276	6,168
Total operating expenses		68,175	66,521
Operating loss		(10,003)	(4,958)
Nonoperating revenue (expense):			
Grant award income		33,758	30,936
Grant award expense		(33,758)	(30,936)
Total nonoperating revenues (expenses)		—	—
Change in net assets		(10,003)	(4,958)
Total net assets, beginning of year		137,505	142,463
Total net assets, end of year	$	127,502	137,505

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, 2005 and 2004

(In thousands)

	2005	2004
Cash flows from operating activities:		
Purchase of loans	$ (54,264)	(35,745)
Receipts of loan repayments	13,897	28,263
Loan and commitment fees	2,029	2,456
Mortgage interest income	53,576	55,877
Purchase of securitized mortgage loans	(125,810)	(203,325)
Principal repayment of securitized mortgage loans	174,895	232,943
Receipts for services	2,253	5,373
Payments to employees for services	(3,759)	(3,222)
Payments to suppliers of goods or services	(312)	(3,529)
Other receipts	907	821
Net cash provided by operating activities	63,412	79,912
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds and notes payable	652,454	698,185
Repayment and refunding of bonds and notes payable	(569,436)	(658,915)
Payment of interest on bonds and notes	(63,128)	(61,539)
Payment of arbitrage rebate	(201)	(58)
Payment for bond issuance costs	(1,610)	(2,014)
Receipt of grant award income	33,758	30,936
Payment of grant awards to subrecipients	(33,758)	(30,936)
Net cash used in noncapital financing activities	18,079	(24,341)
Cash flows from capital financing activities:		
Purchases of capital assets	(69)	(89)
Proceeds from the sale of capital assets	3	28
Proceeds from refunding capital debt	2,797	—
Payment to refunded bond escrow agent	(2,681)	—
Repayment of capital debt	(175)	(60)
Payment for interest on capital debt	(150)	(153)
Net cash used in capital financing activities	(275)	(274)
Cash flows from investing activities:		
Payments for operation and sale of foreclosed property	(75)	(94)
Purchase of investments	(4,997)	(48,443)
Proceeds from maturity and sale of investments	5,994	54,460
Investment interest income	18,000	13,368
Net cash provided by investing activities	18,922	19,291
Net increase in cash and cash equivalents	100,138	74,588
Cash and cash equivalents, beginning of year	420,049	345,461
Cash and cash equivalents, end of year	$ 520,187	420,049
Current cash and cash equivalents	$ 352,853	273,019
Noncurrent restricted cash and cash equivalents	167,334	147,030
Cash and cash equivalents, end of year	$ 520,187	420,049

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

Statements of Cash Flows

Years ended September 30, 2005 and 2004

(In thousands)

	2005	2004
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (10,003)	(4,958)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Net decrease in the fair value of investments	16,311	9,713
Amortization of bond issuance costs	2,452	3,752
Amortization of deferred commitment fees	(1,995)	(2,875)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums	2,906	3,789
Gain on sale of assets	94	65
Depreciation and amortization expense	231	241
Provision (recovery) for loan losses	(4)	47
Investment interest income	(17,885)	(12,994)
Interest on bonds and notes payable	59,451	56,554
Changes in assets and liabilities:		
Accrued interest receivable on securitized mortgage loans and mortgage loans	213	355
Other current assets	(198)	143
Other noncurrent assets	(41)	18
Accounts payable and other accrued expenses	2,029	(1,023)
Other noncurrent liabilities	(897)	2,510
Securitized mortgage loans, net (cost)	50,222	31,753
Mortgage loans	(39,474)	(7,178)
Net cash provided by operating activities	$ 63,412	79,912
Supplemental disclosure:		
Other real estate acquired through foreclosure	$ 108	163

See accompanying notes to financial statements.

(1) Basis of Accounting and Summary of Significant Accounting Policies

(a) Reporting Entity

New Mexico Mortgage Finance Authority (the Authority) is a semi-autonomous instrumentality of the state of New Mexico (the State), created April 10, 1975 under the Mortgage Finance Authority Act (the Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State.

The Authority does not have any component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14.* For financial reporting purposes, the Authority is considered a discretely presented component unit of the state of New Mexico in accordance with GASB No. 14.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

(b) Basis of Presentation

The Authority presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* established the generally accepted accounting principles hierarchy for proprietary funds. The statement requires that proprietary activities apply all applicable GASB pronouncements. Under the provisions of that standard, the Authority has elected not to apply Statements on Financial Accounting Standards issued by the Financial Accounting Standards Board (FASB) after November 1989.

(c) Basis of Accounting

For financial reporting 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 accounting principles generally accepted in the United States of America. 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

(Continued)

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 issue is accounted for as a segment. See note 17 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 multi-family rental housing facilities in New Mexico. Each multi-family bond issue is accounted for as a segment. See note 17 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, Primero program, Partners programs, Build It! Loan Guaranty program, and several down payment assistance programs.
- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:
  - Low-Income Housing Tax Credit Program (LIHC) – The LIHC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHC is a ten-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 multi-family 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 State of New Mexico General Fund. The purpose of the program is to make low-income households more energy efficient, thereby reducing the utility bills of these families. The funds may be used for leakage reduction, incidental repairs, health and safety measures, insulation, and storm windows and doors.
- The Low-Income Home Energy Assistance Program (LIHEAP) – LIHEAP provides low-income households with a one-time cash benefit to help pay their utility bills. Up to 15% of the program grant, the only portion administered by the Authority, can be used for rehabilitation and can be combined with the WAP funds.
- The Emergency Shelter Grants Program (ESG) – ESG provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters, to help meet the costs of operating emergency shelters, and of providing certain essential social services to homeless individuals.
- Housing Opportunities for Persons with AIDS (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 (RHED) Program – 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.

(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 11). For purposes of the statements of cash flows, the Authority considers all cash on hand and in banks and all highly liquid securities and investments purchased with an original maturity of three months or less held in accounts used primarily for the payment of debt service to be cash equivalents.

Restricted cash and cash equivalents include fixed rate investment agreements which represent funds invested in unsecured nonparticipating contracts with financial institutions and are valued at the contract amounts. Such investments are considered highly liquid with an original maturity of three months or less held in accounts which are used primarily for the payment of debt service. Accordingly, such investments are treated as cash equivalents.

(g) Unrestricted and Restricted Investments

Unrestricted and restricted investments include U.S. government obligations, obligations of government-sponsored entities, and certificates of deposits. These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the Statement of Revenues, Expenses, and Changes in Net Assets as *Net Increase (Decrease) in Fair Value of*

Investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB Statement No. 31).

(h) Securitized Mortgage Loans

Securitized mortgage loans consist primarily of Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) mortgage-backed securities (MBSs), which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value and changes in the fair value are reported as revenue in the Statement of Revenues, Expenses, and Changes in Net Assets as *Net Increase (Decrease) in Fair Value of Investments,* in accordance with GASB Statement No. 31. Fair value of the Authority's MBSs was estimated by each bond issue's trustee based on a comparison of the Authority's MBSs to other similar MBS instruments which are publicly traded.

(i) Note Receivable

The Rental Housing Programs' note receivable is a security relating to the issuance of Multi-Family Housing Revenue Bonds 1987 Series A and B. The funds from the issuances were used as financing for multi-family residential rental projects for low and moderate income persons and families in the State. The note receivable is due 2011.

(j) Mortgage Loans

Mortgage loans receivable are carried at the unpaid principal balance outstanding less an allowance for estimated loan losses. Mortgage loans are secured by first liens on the related properties, with the exception of HELP loans discussed below. 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) or, if a conventional loan, have a loan-to-value ratio of 80% or less. 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 down payment and closing cost assistance (DPA). DPA loans are secured by second liens. Additionally, included in mortgage loans as of September 30, 2005 and 2004, respectively, were $6.9 million and $6.2 million of loans to borrowers of certain nonprofit organizations which are subject to reimbursement provisions in lieu of insurance.

(k) Allowance for Mortgage Loan Losses

Losses incurred on mortgage loans are charged to the allowance for mortgage loan losses. The provision for loan losses is charged to expense when, in management's opinion, the realization of all or a portion of the loans or properties owned is doubtful.

In evaluating the provision for loan losses, management considers the age of the various loan portfolios, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims, and economic conditions.

Management of the Authority believes that the allowance for mortgage loan losses is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

(l) Interest on Mortgage Loans

Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately $80,000 and $111,000 as of September 30, 2005 and 2004, respectively. Mortgage loans continue to accrue interest through foreclosure since loans are insured, and interest is collected through insurance proceeds.

(m) Origination and Commitment Fees

Origination and commitment fees, net of costs, represent compensation received for designating funds for lenders. The Authority defers and amortizes these net fees over the related securitized mortgage loans' and mortgage loans' contractual life, adjusted for prepayments, into interest income using a method which approximates the effective interest method.

(n) Bond Issuance Costs

Bond issuance costs, discounts, and premiums are amortized over the term of the obligations using a method which approximates the effective interest method. Early redemptions of bonds result in the proportionate amortization of the balance of bond issuance costs.

(o) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line or the sum-of-the-years' digits methods 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 $1,000 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. Software purchased for internal use with a unit cost of $1,000 or more and an estimated useful life greater than one year is capitalized and depreciated. The Authority does not capitalize software developed internally.

(p) Accrued Arbitrage Rebate

Earnings on certain investments are subject to the arbitrage rebate requirements of the Internal Revenue Code. Accrued arbitrage rebate represents the estimated excess earnings on these investments that must be rebated to the U.S. Treasury Department.

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

(Continued)

(q) Deferred Revenue

Deferred revenue consists primarily of advances from contracts and grants. Revenue is recognized to the extent that the underlying exchange transaction has occurred. Deferred revenue is reflected in other noncurrent liabilities in the accompanying balance sheets.

(r) Net Assets

Net assets are classified as follows:

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

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. The Authority is legally or contractually obligated to spend these funds in accordance with the restrictions imposed by third parties.

Unrestricted net assets consist of those operating funds over which the board of directors retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

(s) 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 incurred which 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 revenue includes 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 Non-exchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

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 on bonds issued to finance housing programs since lending activities constitute the Authority's principal ongoing operations.

(Continued)

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 Statement No. 34.

(t) ***Income Taxes***

The income the Authority earns in the exercise of its essential government functions is excluded from federal income tax under Section 115(1) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(2) Cash, Cash Equivalents, and Investments

(a) As of September 30, 2005 and 2004, the carrying value of cash and cash equivalents include the following (in thousands):

	2005	2004
Cash	$ 25,837	15,873
Cash equivalents not considered deposits:		
Money market accounts	254	342
Money market funds	25,027	20,023
Repurchase agreements	4,828	6,939
Guaranteed investment contracts	464,241	376,872
	$ 520,187	420,049

(b) ***Investment Policy***

The Authority's investment policy requires all investments be made in accordance with the prudent investor rule with a primary objective to preserve capital and secondarily to achieve the highest market yield. Investments will be diversified to the extent permitted in Section 58, NMSA 1978 (MFA Act), and Section 6-8-7, NMSA 1978 and as prescribed in its various bond resolutions and trust indentures.

Investments may be made in any investment instrument acceptable under and/or required by any bond resolution or indenture; in obligations of any municipality of New Mexico or the State of New Mexico or the United States of America, rated "AA" or better; in obligations guaranteed by the State of New Mexico or the United States of America; in obligations of any corporation wholly owned by the United States of America; in obligations of any corporation sponsored by the United States of America which are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System; in certificates of deposit or time deposits in banks qualified to do business in New Mexico; as otherwise provided in any trust indenture securing the issuance of the Authority's bonds; in the State of New Mexico Office of the

Treasurer Local Short Term Investment Fund; or in the State of New Mexico State Investment Council Investment Funds Program.

(c) ***Custodial Credit Risk***

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2005, the Authority's bank balance was $25,980,000. Of this amount, $243,000 was insured by the Federal Deposit Insurance Corporation (FDIC), $164,000 was collateralized by collateral held by the bank in the Authority's name, $25,529,000 was collateralized by collateral held by the bank but not in the Authority's name, and $44,000 was uninsured and uncollateralized.

All of the Authority's investments are insured, registered, or are held by the Authority or it's agent in the Authority's name.

The Authority administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, the Authority obtains from each bank that is a depository for public funds pledged collateral in an aggregate amount at least equal to one half 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, 2005 and 2004 the Authority had $1,289,000 and $2,195,000, respectively, of public funds on deposit which are fully collateralized by collateral held by the bank in the Authority's name.

(d) ***Investment Interest and Credit Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations; and 4) diversification to avoid overweighting in any one type of security.

The Authority's securitized mortgage loans are primarily mortgage loans originated under various bond resolutions which have been pooled and securitized by a servicer under contract to the Authority (note 1(h)). Upon securitization, these primarily GNMA and FNMA securities are then purchased by the bond issue trustee utilizing the proceeds of the respective bonds. The bonds in turn are secured respectively by the securities purchased with the bond proceeds (note 5). The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of the underlying mortgages.

The following table provides information on the credit ratings associated with the Authority's investments in debt securities, excluding obligations of the United States government or obligations explicitly guaranteed by the United States government at September 30, 2005.

Investment type	Fair Value	Rating	Investment maturities (in years) Less than 1	1-5	5-10	More than 10
Money market funds	$ 25,027	N/R	25,027	—	—	—
Repurchase agreements	4,828	N/R	4,828	—	—	—
Guaranteed investment contracts	468,577	A2 to A1+	431,235	26,353	—	10,989
Internal state investment pool:						
Repurchase agreements and pool	14,500	N/R	14,500	—	—	—
Commercial paper	4,719	N/R	4,719	—	—	—
Certificates of deposit	783	N/R	783	—	—	—
U.S. agencies	5,527	N/R	5,527	—	—	—
U.S. agencies	23,571	AAA	4,003	19,568	—	—
Securitized mortgage loans	91,853	AA-	—	—	—	91,853
	$ 639,385		490,622	45,921	—	102,842

(e) *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the Authority's total investments reported on the balance sheet as of September 30, 2005: GNMA 82% and FNMA 13%.

(3) Mortgage Loans

Mortgage loans reflected in the balance sheet consist of the following as of September 30, 2005 and 2004 (in thousands):

	2005	2004
Total mortgage loan principal outstanding	$ 180,478	140,056
Less:		
Allowance for mortgage loan losses	(609)	(609)
Deferred origination and commitment fees	(1,641)	(796)
Mortgage loans, net	$ 178,228	138,651

An analysis of the allowance for mortgage loan losses is as follows as of September 30, 2005 and 2004 (in thousands):

	2005	2004
Beginning balance	$ 609	615
Provision (recovery) for loan losses	(4)	47
Cash reserves received for programs	40	—
Loans written off	(36)	(53)
Ending balance	$ 609	609

(Continued)

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

Single Family Mortgage Programs	9.99%
Rental Housing Programs	5.14% to 7.00%
Other mortgage loans	0.00% to 12.12%
Second mortgage DPA loans	0.00% to 6.00%

MBSs have stated interest rates ranging from 4.34% to 9.365%. At September 30, 2005 and 2004, deferred commitment fees of $7,162,000 and $7,972,000, respectively, have been netted with securitized mortgage loans.

As of September 30, 2005 and 2004, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $404,000 and $326,000, respectively. As of September 30, 2005 and 2004, mortgage loans delinquent three months or more have aggregate principal balances of approximately $6,578,000 and $7,168,000, respectively.

As of September 30, 2005 and 2004, the Authority acts as servicer for loans owned by the following entities (in thousands):

	2005	2004
Neighborhood Housing Services of Albuquerque	$ 2,730	2,567
State of New Mexico Severance Tax Permanent Fund	121	162
State Investment Council	7	8
Isleta Pueblo	1,669	1,715
	$ 4,527	4,452

(4) Capital Assets

Changes in capital assets during 2005 and 2004 were as follows:

	October 1, 2004	Additions	Dispositions	September 30, 2005
Land (nondepreciable)	$ 512	—	—	512
Building and improvements	3,041	—	—	3,041
Furniture, equipment, and vehicle	1,408	69	(80)	1,397
Total capital assets	4,961	69	(80)	4,950
Less accumulated depreciation:				
Building and improvements	(1,449)	(143)	—	(1,592)
Furniture, equipment, and vehicle	(1,060)	(78)	80	(1,058)
Total accumulated depreciation	(2,509)	(221)	80	(2,650)
Capital assets, net	$ 2,452	(152)	—	2,300

	October 1, 2003	Additions	Dispositions	September 30, 2004
Land (nondepreciable)	$ 512	—	—	512
Building and improvements	3,041	—	—	3,041
Furniture, equipment, and vehicle	1,457	89	(138)	1,408
Total capital assets	5,010	89	(138)	4,961
Less accumulated depreciation:				
Building and improvements	(1,298)	(151)	—	(1,449)
Furniture, equipment, and vehicle	(1,091)	(78)	109	(1,060)
Total accumulated depreciation	(2,389)	(229)	109	(2,509)
Capital assets, net	$ 2,621	(140)	(29)	2,452

(Continued)

(5) Bonds Payable

Bonds payable at September 30, 2005 and 2004 are as follows (in thousands):

Single Family Mortgage Programs		2005	2004
1985 Series A – 9.40% interest payable semiannually, principal due through 2017	$	310	4,030
1994 Series A – 6.875% interest payable semiannually, principal due through 2025		1,755	2,260
1994 Series B – 6.75% interest payable semiannually, principal due through 2025		1,680	2,245
1994 Series C – 6.50% interest payable semiannually, principal due through 2025		1,775	2,460
1994 Series D – 6.80% interest payable semiannually, principal due through 2026		1,760	2,385
1994 Series E – 6.95% interest payable semiannually, principal due through 2026		2,150	3,340
1994 Series F – 7.00% interest payable semiannually, principal due through 2026		1,750	2,880
1994 Series G – called September 15, 2005		—	2,545
1994 Series H – 6.10% to 6.65% interest payable semiannually, principal due through 2026		2,575	3,925
1995 Series A – 6.00% to 6.65% interest payable semiannually, principal due through 2026		3,155	5,190
1995 Series B – 5.50% interest payable semiannually, principal due through 2028		2,180	2,560
1995 Series C – 5.40% to 6.20% interest payable semiannually, principal due through 2026		5,990	8,435
1995 Series D – 5.50% to 6.50% interest payable semiannually, principal due through 2026		3,285	4,840
1995 Series E – 6.30% to 6.40% interest payable semiannually, principal due through 2027		4,570	7,590
1995 Series F – 5.40% to 6.15% interest payable semiannually, principal due through 2027		8,140	10,790
1995 Series G – 4.95% to 5.70% interest payable semiannually, principal due through 2027		8,290	11,375
1995 Series H – 5.45% to 6.25% interest payable semiannually, principal due through 2027		5,365	7,470
1996 Series C – 5.50% to 6.25% interest payable semiannually, principal due through 2027		5,595	7,775
1996 Series D – 5.70% to 6.375% interest payable semiannually, principal due through 2027		4,580	6,815

(Continued)

Single Family Mortgage Programs		2005	2004
1996 Series E – 5.60% to 6.35% interest payable semiannually, principal due through 2028	$	5,440	7,800
1996 Series G – 5.40% to 6.20% interest payable semiannually, principal due through 2028		6,355	9,230
1997 Series A – 5.40% to 6.20% interest payable semiannually, principal due through 2028		4,925	7,415
1997 Series B – 5.50% to 6.30% interest payable semiannually, principal due through 2028		5,840	7,295
1997 Series C – 5.35% to 7.43% interest payable semiannually, principal due through 2029		5,180	8,735
1997 Series E – 5.00% to 6.65% interest payable semiannually, principal due through 2029		8,230	10,580
1997 Series F – 4.95% to 6.65% interest payable semiannually, principal due through 2029		9,940	13,535
1997 Series G – 4.80% to 6.30% interest payable semiannually, principal due through 2029		11,535	17,020
1998 Series A – 4.85% to 6.00% interest payable semiannually, principal due through 2029		13,725	18,300
1998 Series B – 5.00% to 6.10% interest payable semiannually, principal due through 2030		10,950	15,670
1998 Series C – 4.80% to 6.00% interest payable semiannually, principal due through 2029		12,635	16,605
1998 Series D – 4.55% to 6.10% interest payable semiannually, principal due through 2030		12,745	16,910
1998 Series E – 4.35% to 6.25% interest payable semiannually, principal due through 2030		13,160	18,085
1999 Series A – 4.30% to 6.25% interest payable semiannually, principal due through 2030		13,355	16,540
1999 Series B – 4.25% to 6.25% interest payable semiannually, principal due through 2030		15,755	20,695
1999 Series C – 5.13% interest payable semiannually, principal due through 2029		2,258	2,813
1999 Series D – 5.00% to 6.88% interest payable semiannually, principal due through 2030		9,703	14,260
1999 Series E – 5.00% to 6.96% interest payable semiannually, principal due through 2031		12,260	17,395
1999 Series F – 5.00% to 7.07% interest payable semiannually, principal due through 2031		8,275	12,055
2000 Series A – 5.30% to 7.76% interest payable semiannually, principal due through 2031		6,890	9,930

(Continued)

Single Family Mortgage Programs		2005	2004
2000 Series B – 5.35% to 7.55% interest payable semiannually, principal due through 2032	$	7,840	11,330
2000 Series C – 5.40% to 7.82% interest payable semiannually, principal due through 2032		6,805	10,020
2000 Series D – 4.85% to 8.34% interest payable semiannually, principal due through 2032		9,700	14,000
2000 Series E – 5.40% to 7.39% interest payable semiannually, principal due through 2032		12,190	15,670
2000 Second Mortgage Series – 6.50% interest payable semiannually, principal due 2018		418	553
2001 Series A – 4.60% to 6.13% interest payable semiannually, principal due through 2032		13,530	17,615
2001 Series B – 4.35% to 5.95% interest payable semiannually, principal due through 2033		12,400	16,215
2001 Series C – 4.15% to 6.00% interest payable semiannually, principal due through 2033		13,060	16,750
2001 Series D – 3.30% to 5.40% interest payable semiannually, principal due through 2033		13,150	16,985
2002 Series A – 3.65% to 6.45% interest payable semiannually, principal due through 2033		12,370	18,185
2002 Series B – 3.35% to 5.40% interest payable semiannually, principal due through 2033		14,755	19,635
2002 Series C – 3.60% to 5.50% interest payable semiannually, principal due through 2034		15,930	20,750
2002 Series D – 2.95% to 5.35% interest payable semiannually, principal due through 2034		15,940	20,120
2002 Series E – 2.55% to 5.20% interest payable semiannually, principal due through 2034		17,235	21,060
2002 Series F– 2.60% to 5.00% interest payable semiannually, principal due through 2034		17,945	21,955
2003 Series A – 1.85% to 5.25% interest payable semiannually, principal due through 2034		20,565	23,945
2003 Series B – 2.00% to 5.45% interest payable semiannually, principal due through 2034		20,760	24,045
2003 Series C – 1.80% to 4.70% interest payable semiannually, principal due through 2034		24,215	26,980
2003 Series D – 2.45% to 6.125% interest payable semiannually, principal due through 2034		24,375	29,600
2003 Series E – 1.90% to 4.85% interest payable semiannually, principal due through 2034		27,310	29,805

(Continued)

Single Family Mortgage Programs	2005	2004
2004 Series A – 1.90% to 4.80% interest payable semiannually, principal due through 2034	24,010	25,000
2004 Issue 1&2 – Tendered March 1, 2005	—	91,754
2004 Series B – 1.70% to 4.75% interest payable semiannually, principal due through 2035	28,795	30,000
2004 Series C – 2.30% to 5.65% interest payable semiannually, principal due through 2035	29,380	30,000
2004 Short Term Issue – Tendered September 23, 2005	—	176,269
2004 Series D – 2.40% to 6.15% interest payable semiannualy, principal due through 2035	34,370	35,000
2004 Series E – 2.15% to 5.50% interest payable semiannually, principal due through 2035	29,895	—
2005 Drawdown Issue – Variable interest rate equal to LIBOR (3.864% at September 30, 2005) payable monthly, mandatory tender March 1, 2006	367,244	—
2005 Series A – 2.50% to 5.50% interest payable semiannually, principal due through 2036	30,000	—
2005 Series B – 4.05% to 6.10% interest payable semiannually, principal due through 2036	30,000	—
2005 Series C – 3.00% to 5.85% interest payable semiannually, principal due through 2037	26,700	—
Subtotal	1,154,948	1,123,019
Unaccreted premium, net of underwriters' discount	17,412	16,824
Subtotal Single Family Programs, net bonds payable	$ 1,172,360	1,139,843

(Continued)

Rental Housing Mortgage Programs	2005	2004
1987 Series A&B – 7.25% interest payable semiannually, principal due 2011	$ 9,900	9,900
1995 Multi Family Risk Sharing – La Villa Alegre – 5.504% interest payable monthly, principal due through 2037	3,824	3,864
1997 Multi Family Risk Sharing – Las Brisas – 6.45% interest payable monthly, principal due through 2032	3,323	3,365
1997 Multi Family Housing Revenue – Rio Volcan II – 4.75% to 5.65% interest payable monthly, principal due through 2018	3,835	3,920
1998 Series A&B Multi Family Housing Revenue – The Bluffs at Tierra Contenta – 5.20% to 6.03% interest payable semiannually, principal due through 2031	8,895	9,055
2001 Multi Family Housing Refunding Revenue:		
Series A – 5.00% interest payable semiannually, principal due through 2031	2,755	2,755
Series B – 5.00% interest payable semiannually, principal due through 2031	7,565	7,565
Series C – 5.00% interest payable semiannually, principal due through 2031	5,910	5,910
Series D – 5.00% interest payable semiannually, principal due through 2031	2,785	2,785
2001 Series E&F Multi Family Housing Revenue – Manzano Mesa – 5.55% to 7.05% interest payable semiannually, principal due through 2034	9,905	10,000
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038	9,920	10,010
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038	9,465	9,560
2004 Series A&B Multi Family Risk Sharing – NM5 – 4.625% to 5.20% interest payable semiannually, principal due through 2039	10,185	10,370
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039	12,645	12,760
2004 Series E Multi Family Housing Revenue – Lafayette – 5.00% until July 1, 2006 and 6.5% thereafter, interest payable monthly, principal due through 2037	7,460	—
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040	11,345	—

(Continued)

Rental Housing Mortgage Programs	2005	2004
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.98% to 5.50% interest payable semiannually, principal due through 2040	$ 12,135	—
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.16% to 4.70% interest payable semiannually, principal due through 2040	4,230	—
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040	13,400	—
Subtotal	149,482	101,819
Unaccreted premium	356	284
Subtotal Rental Housing Programs, net bonds payable	$ 149,838	102,103

Capital debt	2005	2004
2000 General Revenue Office Building – 5.10% to 6.00% defeased in 2005	$ —	2,595
Unamortized discount	—	(19)
2005 General Revenue Office Building Refunding Bonds– 3.50% to 4.375% interest payable semiannually, principal due through 2026	2,830	—
Unamortized discount	(183)	—
Subtotal net capital bonds payable	2,647	2,576
Total bonds payable	1,307,260	1,227,433
Total unaccreted premium, net of unamortized discount	17,584	17,089
Total bonds payable, net	$ 1,324,844	1,244,522

On September 1, 2005, the Authority issued $2.83 million in General Revenue Office Building Refund bonds with an average interest rate of 4.16% to advance refund $2.53 million of outstanding 2000 General Revenue Office Building Bond with an average interest rate of 5.92%. The net proceeds of $2.68 million (after payment of approximately $116,000 in underwriting fees, insurance, and other issuance costs and $33,000 in original issue discount) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 General Revenue Office Building Bond. As a result, the 2000 General Revenue Office Building Bond is considered to be defeased, and the liability for that bond has been removed from the accompanying balance sheet.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $150,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using a method that approximates the effective-interest method. The Authority completed the advanced refunding to reduce its total debt service payments over the next 20 years by $184,000 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $122,000.

Certain Mortgage Purchase Program bonds were legally defeased in 1992 and, therefore, are not reflected on the accompanying balance sheet. The outstanding balance of these bonds totaled approximately $38,810,000 and $38,815,000 at September 30, 2005 and 2004, 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.

The Mortgage Purchase Program Bonds 2005 Series C was issued to fully refund bonds from the Mortgage Purchase Program Bonds 1994 Series G Issue. The Authority will realize a $274,000 positive cash flow from this refunding. The economic gain to the Authority from refunding the 1994 Series G bonds approximates $220,000.

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.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2005 and 2004 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In March 2005, the Authority authorized the $500,000,000 Single Family Mortgage Program Bonds, Draw Down Issue 2005. These bonds will be refunded by the issuance of bonds under separate indentures, the proceeds of which will be used to purchase securitized mortgage loans under the respective indentures. Cumulative draw downs were $368,994,000 through fiscal year end September 30, 2005. As of September 30, 2005, approximately $268,244,000 of proceeds from the bond issue is outstanding and, accordingly, reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par value bearing variable interest at LIBOR payable monthly, as of the business day immediately preceding the interest payment date, 3.864% at September 30, 2005. Due to the short-term nature of Draw Down Issue 2005, there is no economic gain or loss from refundings on this issue.

(Continued)

(6) Notes Payable

Notes payable at September 30, 2005 and 2004 consist of the following (in thousands):

	2005	2004
February 2001 Master note and purchase agreement with the Federal National Mortgage Association. The note accrues interest at 6.5% and matures in March 2012.	$ 18	28
February 2003 Federal Home Loan Bank of Dallas note bearing interest at 2.948%. The note has a balloon payment at maturity in February 2007.	3,750	3,750
August 2003 Federal Home Loan Bank of Dallas note bearing interest at 4.32%. The note matures through 2010 in equal monthly installments of principal and interest.	4,581	5,051
	$ 8,349	8,829

The February 2003 Federal Home Loan Bank borrowing was made to fully refund bonds from the Single Family Mortgage Program Senior Bonds, 1990 Series A Issue. The August 2003 Federal Home Loan Bank borrowing was made to fully refund bonds from the Single Family Mortgage Program Senior Bonds, 1991 Series A Issue.

(7) Debt Service Requirements

A summary of bond and note debt service requirements as of September 30, 2005 follows (in thousands):

	Bonds payable		Notes payable	
	Interest	Principal	Interest	Principal
Year ending September 30:				
2006	$ 57,834	321,446	300	488
2007	67,644	12,918	222	4,263
2008	67,036	13,939	145	534
2009	66,358	15,684	122	558
2010	67,379	16,553	97	2,488
2011 – 2015	309,498	106,827	2	18
2016 – 2020	279,958	135,865	—	—
2021 – 2025	236,394	191,398	—	—
2026 – 2030	166,840	275,743	—	—
2031 – 2035	100,520	185,681	—	—
2036 – 2040	4,282	31,206	—	—
	1,423,743	1,307,260	888	8,349
Net unaccreted premium	—	17,584	—	—
	$ 1,423,743	1,324,844	888	8,349

(Continued)

(8) Noncurrent Liabilities

A summary of noncurrent liability activity for the year ended September 30, 2005 and 2004 follows (in thousands):

	October 1, 2004	Increases	Decreases	September 30, 2005	Current portion
Bonds payable, net	$ 1,244,522	655,251	(574,929)	1,324,844	321,446
Note payable	8,829	—	(480)	8,349	488
Accrued arbitrage rebate	490	—	(144)	346	—
Other noncurrent liabilities	2,652	—	(897)	1,755	—
	$ 1,256,493	655,251	(576,450)	1,335,294	321,934

	October 1, 2003	Increases	Decreases	September 30, 2004	Current portion
Bonds payable, net	$ 1,195,039	705,560	(656,077)	1,244,522	249,306
Note payable	23,200	29	(14,400)	8,829	469
Accrued arbitrage rebate	507	41	(58)	490	—
Other noncurrent liabilities	142	2,510	—	2,652	—
	$ 1,218,888	708,140	(670,535)	1,256,493	249,775

(9) 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.

(10) 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 $401,321 and $138,602, respectively, for the year ended September 30, 2005. The Authority's and employees' contributions to the Benefit Plan were approximately $362,961 and $129,716, respectively, for the year ended September 30, 2004.

(11) Board Designated Net Assets

The board of directors of the Authority have the discretion to reverse any board designated net assets. The board of directors of the Authority designated the following amounts as of September 30, 2005 and 2004 (in thousands):

	2005	2004
Single Family and Multi-Family programs as designated by the board	21,738	35,087
Future general operating budget, year-end September 30, 2006	8,016	7,297
Housing Opportunity Fund	46,815	35,145
Risk Sharing loss exposure	12,634	6,972
Federal and state housing programs administered by MFA	2,577	2,046
Total board designated net assets	$ 91,780	86,547

(12) 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, 2005 and 2004, the Authority is committed to assume a risk of approximately $12,847,000 and $7,214,000 for 33 and 28 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 at September 30, 2005. As of September 30, 2005 and 2004, the Authority is committed to assume a risk of approximately $130,000 and $30,000 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.

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, 2005 and 2004, there are no outstanding guarantees to which the Authority has committed.

(Continued)

(13) 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.

(14) Joint Powers Agreements

The Authority has entered into seven joint powers agreements (JPAs) with various departments of the State. At September 30, 2005, these JPAs were as follows:

(a) The Authority entered into a JPA with Human Services Department (HSD) in January 2003, which was amended in August 2003 and again in June 2004. The purpose of the agreement is to transfer funds to the Authority for the Low-Income Housing Energy Assistance Program (LIHEAP) and the Low-Income Weatherization Assistance Program (LIWAP). The Authority has the responsibility for program operations. The agreement was effective January 31, 2003 and terminated June 30, 2005. The maximum amount to be reimbursed under the JPA is $2,250,000, 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.

(b) The Authority entered into a JPA with Human Services Department (HSD) in September 2005. The purpose of the agreement is to transfer funds to the Authority for the Low-Income Housing Energy Assistance Program (LIHEAP) and the Low-Income Weatherization Assistance Program (LIWAP). The Authority has the responsibility for program operations. The agreement was effective July 1, 2005 and will terminate June 30, 2006. The maximum amount to be reimbursed under the JPA is $1,488,000, 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.

(c) The Authority entered into a JPA with HSD in June 2004. The purpose of the agreement is for HSD to transfer funds to the Authority to administer the State's homeless program. The Authority has the responsibility for program operations. The agreement was effective June 8, 2004 and terminated the June 30, 2005. The amount of the project is $800,000 for fiscal year 2005, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(d) The Authority entered into a JPA with HSD in June 2005. The purpose of the agreement is for HSD to transfer funds to the Authority to administer the homeless program. The Authority has the responsibility for program operations. The agreement was effective July 1, 2005 and will terminate the earlier of June 30, 2006 or when all the funds have been expended. The amount of the project is $826,000 for fiscal year 2005, 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 Department of Finance and Administration (DFA) in May 2004. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective May 4, 2004 and will terminate on June 30, 2008. The estimated amount of the project is $600,000, 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 Department of Finance and Administration (DFA) in May 2004. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective May 4, 2004 and terminated on June 30, 2005. The estimated amount of the project is $800,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(g) The Authority entered into a JPA with Department of Finance and Administration (DFA) in October 2003. The purpose of the agreement is for DFA to transfer funds to the Authority to perform a survey of low-income housing needs in Chaves County. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective October 10, 2003 and terminates at the end of fiscal year 2005 or the date all funds have been expended and reimbursed. The estimated amount of the project is $75,000, 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.

(h) The Authority entered into a JPA with Department of Finance and Administration (DFA) in January 2004, which was amended in May 2004. The purpose of the agreement is for DFA to transfer funds to the Authority to develop and administer the Innovation in Housing Awards Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective January 16, 2004 and will remain in effect until the expenditure by MFA of all the program funds. The estimated amount of the project is $1,500,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA. The Authority received an advance of these funds for the entire $1,500,000, of which the unspent amount was $1,289,000 on September 30, 2005.

(15) Related-Party Transactions

In July 2003, the Governor of New Mexico appointed the Executive Director of Homewise (formerly Neighborhood Housing Services) to the Authority's board of directors. During fiscal years 2005 and 2004, the Authority awarded federal grants of $484,984 and $154,993, respectively, to Homewise.

The Authority purchases various insurance policies from an insurance company that is controlled by the family of the chair of the Authority's board of directors.

(16) Subsequent Event

On October 3, 2005, the Authority called $26,000,000 of Single Family Mortgage Program Bonds Draw Down Issue 2005. On November 1, 2005, the Authority issued $78,000,000 of Single Family Mortgage Program Bonds Draw Down Issue 2005. These short-term bonds will be refunded by bonds to be issued either under a separate or general indenture, and the proceeds will be used to purchase securitized mortgage loans to be held either under separate or general indentures.

(17) Segment Financial Information

The Authority issues separate revenue bonds to finance the single family and multi-family mortgage financing programs. The investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each bond resolution is presented on the following pages.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Segment Financial Information
September 30, 2005
(In thousands)

Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**1985 Series A**	**1994 Series A**	**1994 Series B**	**1994 Series C**	**1994 Series D**	**1994 Series E**
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	128	12	10	13	11	14
Other current assets	5	—	—	—	—	—
Inter-entity receivable (payable)	(85)	(1)	(1)	(1)	(1)	(1)
Total current assets	48	11	9	12	10	13
Noncurrent assets:						
Restricted cash and cash equivalents	238	288	307	587	309	373
Restricted investments and reserve funds, net	3,046	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	—	1,694	1,517	1,335	1,493	1,950
Unrealized gain (loss) on securitized mortgage loans	—	88	76	64	69	104
Securitized mortgage loans, net	—	1,782	1,593	1,399	1,562	2,054
Restricted mortgage loans, net	1,021	—	—	—	—	—
Bond issuance costs, net	—	22	24	22	23	28
Total noncurrent assets	4,305	2,092	1,924	2,008	1,894	2,455
Total assets	$ 4,353	2,103	1,933	2,020	1,904	2,468
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 7	30	28	29	30	37
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	7	30	28	29	30	37
Noncurrent liabilities:						
Bonds payable, net	307	1,755	1,686	1,778	1,760	2,150
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	307	1,755	1,686	1,778	1,760	2,150
Total liabilities	314	1,785	1,714	1,807	1,790	2,187
Net assets restricted for debt service	4,039	318	219	213	114	281
Total liabilities and net assets	$ 4,353	2,103	1,933	2,020	1,904	2,468

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Segment Financial Information
September 30, 2005
(In thousands)

Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**1994 Series F**	**1994 Series G**	**1994 Series H**	**1995 Series A**	**1995 Series B**	**1995 Series C**
Current assets:						
Restricted cash and cash equivalents	$ —	—	60	15	—	40
Accrued interest receivable	16	4	19	26	11	38
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(1)	(1)	(2)	(2)	(1)	(5)
Total current assets	15	3	77	39	10	73
Noncurrent assets:						
Restricted cash and cash equivalents	331	193	487	570	184	1,256
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net (cost)	2,020	—	2,598	3,441	2,085	5,329
Unrealized gain (loss) on securitized mortgage loans	114	—	133	190	31	271
Securitized mortgage loans, net	2,134	—	2,731	3,631	2,116	5,600
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	28	—	31	57	—	76
Total noncurrent assets	2,493	193	3,249	4,258	2,300	6,932
Total assets	$ 2,508	196	3,326	4,297	2,310	7,005
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 31	—	42	52	30	93
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	—	—	60	15	—	40
Total current liabilities	31	—	102	67	30	133
Noncurrent liabilities:						
Bonds payable, net	1,750	—	2,515	3,140	2,180	5,950
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	1,750	—	2,515	3,140	2,180	5,950
Total liabilities	1,781	—	2,617	3,207	2,210	6,083
Net assets restricted for debt service	727	196	709	1,090	100	922
Total liabilities and net assets	$ 2,508	196	3,326	4,297	2,310	7,005

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Segment Financial Information
September 30, 2005
(In thousands)

Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**1995 Series D**	**1995 Series E**	**1995 Series F**	**1995 Series G**	**1995 Series H**	**1996 Series C**
Current assets:						
Restricted cash and cash equivalents	$ 20	—	230	470	345	305
Accrued interest receivable	24	35	58	48	38	40
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(2)	(2)	(6)	(6)	(4)	(5)
Total current assets	42	33	282	512	379	340
Noncurrent assets:						
Restricted cash and cash equivalents	728	1,221	1,332	578	651	420
Restricted investments and reserve funds, net	—	—	523	377	240	150
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net (cost)	3,101	4,011	6,999	7,059	4,509	5,433
Unrealized gain (loss) on securitized mortgage loans	178	203	303	204	218	259
Securitized mortgage loans, net	3,279	4,214	7,302	7,263	4,727	5,692
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	42	45	112	81	79	57
Total noncurrent assets	4,049	5,480	9,269	8,299	5,697	6,319
Total assets	$ 4,091	5,513	9,551	8,811	6,076	6,659
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 53	73	125	116	83	86
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	20	—	230	470	345	305
Total current liabilities	73	73	355	586	428	391
Noncurrent liabilities:						
Bonds payable, net	3,265	4,570	7,910	7,820	5,020	5,290
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	3,265	4,570	7,910	7,820	5,020	5,290
Total liabilities	3,338	4,643	8,265	8,406	5,448	5,681
Net assets restricted for debt service	753	870	1,286	405	628	978
Total liabilities and net assets	$ 4,091	5,513	9,551	8,811	6,076	6,659

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Segment Financial Information
September 30, 2005
(In thousands)

Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**1996 Series D**	**1996 Series E**	**1996 Series G**	**1997 Series A**	**1997 Series B**	**1997 Series C**
Current assets:						
Restricted cash and cash equivalents	$ 95	120	65	60	60	55
Accrued interest receivable	33	44	45	32	42	37
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(4)	(4)	(5)	(4)	(3)	(4)
Total current assets	124	160	105	88	99	88
Noncurrent assets:						
Restricted cash and cash equivalents	525	1,231	871	651	1,245	626
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized mortgage loans, net:						
Securitized mortgage loans, net (cost)	4,613	4,912	5,890	4,520	4,945	4,979
Unrealized gain (loss) on securitized mortgage loans	240	270	288	216	247	237
Securitized mortgage loans, net	4,853	5,182	6,178	4,736	5,192	5,216
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	40	51	56	42	53	48
Total noncurrent assets	5,418	6,464	7,105	5,429	6,490	5,890
Total assets	$ 5,542	6,624	7,210	5,517	6,589	5,978
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 71	85	97	75	91	79
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	95	120	65	60	60	55
Total current liabilities	166	205	162	135	151	134
Noncurrent liabilities:						
Bonds payable, net	4,485	5,320	6,290	4,865	5,780	5,125
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	4,485	5,320	6,290	4,865	5,780	5,125
Total liabilities	4,651	5,525	6,452	5,000	5,931	5,259
Net assets restricted for debt service	891	1,099	758	517	658	719
Total liabilities and net assets	$ 5,542	6,624	7,210	5,517	6,589	5,978

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)
Segment Financial Information
September 30, 2005
(In thousands)

Note 17

Balance Sheets

		Single Family Mortgage Programs					
Assets		1997 Series E	1997 Series F	1997 Series G	1998 Series A	1998 Series B	1998 Series C
Current assets:							
Restricted cash and cash equivalents	$	65	95	125	20	30	55
Accrued interest receivable		52	57	65	76	66	72
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		(7)	(8)	(8)	(11)	(9)	(10)
Total current assets		110	144	182	85	87	117
Noncurrent assets:							
Restricted cash and cash equivalents		917	1,334	1,681	1,920	1,644	1,675
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		7,623	8,807	9,951	12,630	10,058	11,706
Unrealized gain (loss) on securitized mortgage loans		314	342	292	284	210	149
Securitized mortgage loans, net		7,937	9,149	10,243	12,914	10,268	11,855
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		70	85	101	131	107	120
Total noncurrent assets		8,924	10,568	12,025	14,965	12,019	13,650
Total assets	$	9,034	10,712	12,207	15,050	12,106	13,767
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	118	143	157	191	157	178
Accounts payable and other accrued expenses		—	—	—	—	—	—
Current portion of bonds payable		65	95	125	20	30	55
Total current liabilities		183	238	282	211	187	233
Noncurrent liabilities:							
Bonds payable, net		8,165	9,845	11,410	13,913	11,149	12,876
Accrued arbitrage rebate		12	12	12	1	4	6
Total noncurrent liabilities		8,177	9,857	11,422	13,914	11,153	12,882
Total liabilities		8,360	10,095	11,704	14,125	11,340	13,115
Net assets restricted for debt service		674	617	503	925	766	652
Total liabilities and net assets	$	9,034	10,712	12,207	15,050	12,106	13,767

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	Single Family Mortgage Programs					
Assets	**1998 Series D**	**1998 Series E**	**1999 Series A**	**1999 Series B**	**1999 Series C**	**1999 Series D**
Current assets:						
Restricted cash and cash equivalents	$ 140	250	225	190	—	180
Accrued interest receivable	77	76	65	80	11	54
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(10)	(10)	(4)	(5)	(1)	(3)
Total current assets	207	316	286	265	10	231
Noncurrent assets:						
Restricted cash and cash equivalents	1,949	1,913	658	1,064	111	687
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	11,574	12,047	13,481	15,512	2,193	9,596
Unrealized gain (loss) on securitized mortgage loans	107	21	10	14	42	186
Securitized mortgage loans, net	11,681	12,068	13,491	15,526	2,235	9,782
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	123	125	136	147	33	89
Total noncurrent assets	13,753	14,106	14,285	16,737	2,379	10,558
Total assets	$ 13,960	14,422	14,571	17,002	2,389	10,789
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 182	185	62	74	10	47
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	140	250	225	190	—	180
Total current liabilities	322	435	287	264	10	227
Noncurrent liabilities:						
Bonds payable, net	12,965	13,285	13,507	15,988	2,258	9,745
Accrued arbitrage rebate	2	2	2	—	—	—
Total noncurrent liabilities	12,967	13,287	13,509	15,988	2,258	9,745
Total liabilities	13,289	13,722	13,796	16,252	2,268	9,972
Net assets restricted for debt service	671	700	775	750	121	817
Total liabilities and net assets	$ 13,960	14,422	14,571	17,002	2,389	10,789

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	Single Family Mortgage Programs					
Assets	**1999 Series E**	**1999 Series F**	**2000 Series A**	**2000 Series B**	**2000 Series C**	**2000 Series D**
Current assets:						
Restricted cash and cash equivalents	$ 135	110	115	50	85	125
Accrued interest receivable	67	44	41	44	39	54
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(4)	(2)	(2)	(2)	(2)	(2)
Total current assets	198	152	154	92	122	177
Noncurrent assets:						
Restricted cash and cash equivalents	1,460	923	692	853	1,028	1,058
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	11,307	7,506	6,499	7,355	5,914	8,888
Unrealized gain (loss) on securitized mortgage loans	198	189	245	198	203	265
Securitized mortgage loans, net	11,505	7,695	6,744	7,553	6,117	9,153
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	118	86	70	83	64	97
Total noncurrent assets	13,083	8,704	7,506	8,489	7,209	10,308
Total assets	$ 13,281	8,856	7,660	8,581	7,331	10,485
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 65	44	39	42	38	54
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	135	110	115	50	85	125
Total current liabilities	200	154	154	92	123	179
Noncurrent liabilities:						
Bonds payable, net	12,459	8,331	6,910	7,975	6,860	9,793
Accrued arbitrage rebate	2	2	8	4	3	105
Total noncurrent liabilities	12,461	8,333	6,918	7,979	6,863	9,898
Total liabilities	12,661	8,487	7,072	8,071	6,986	10,077
Net assets restricted for debt service	620	369	588	510	345	408
Total liabilities and net assets	$ 13,281	8,856	7,660	8,581	7,331	10,485

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		Single Family Mortgage Programs					
Assets		**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A**	**2001 Series B**	**2001 Series C**	**2001 Series D**
Current assets:							
Restricted cash and cash equivalents	$	75	15	195	190	180	185
Accrued interest receivable		68	3	67	63	66	62
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		(3)	—	(4)	(3)	(3)	(1)
Total current assets		140	18	258	250	243	246
Noncurrent assets:							
Restricted cash and cash equivalents		1,151	210	1,063	932	1,008	498
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		11,526	—	12,982	11,710	12,268	12,936
Unrealized gain (loss) on securitized mortgage loans		291	—	85	153	187	(15)
Securitized mortgage loans, net		11,817	—	13,067	11,863	12,455	12,921
Restricted mortgage loans, net		—	489	—	—	—	—
Bond issuance costs, net		120	20	137	129	139	142
Total noncurrent assets		13,088	719	14,267	12,924	13,602	13,561
Total assets	$	13,228	737	14,525	13,174	13,845	13,807
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	64	2	64	60	63	59
Accounts payable and other accrued expenses		—	1	—	—	—	—
Current portion of bonds payable		75	15	195	190	180	185
Total current liabilities		139	18	259	250	243	244
Noncurrent liabilities:							
Bonds payable, net		12,385	403	13,615	12,481	13,135	13,266
Accrued arbitrage rebate		101	—	—	—	—	—
Total noncurrent liabilities		12,486	403	13,615	12,481	13,135	13,266
Total liabilities		12,625	421	13,874	12,731	13,378	13,510
Net assets restricted for debt service		603	316	651	443	467	297
Total liabilities and net assets	$	13,228	737	14,525	13,174	13,845	13,807

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Balance Sheets

	Single Family Mortgage Programs					
Assets	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**	**2002 Series E**	**2002 Series F**
Current assets:						
Restricted cash and cash equivalents	$ 160	190	225	250	280	310
Accrued interest receivable	62	72	77	73	76	81
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(2)	(3)	(3)	(3)	(3)	(3)
Total current assets	220	259	299	320	353	388
Noncurrent assets:						
Restricted cash and cash equivalents	1,064	845	1,184	1,204	1,629	1,542
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	11,657	14,135	14,816	14,832	15,860	16,674
Unrealized gain (loss) on securitized mortgage loans	131	97	116	(15)	(100)	(124)
Securitized mortgage loans, net	11,788	14,232	14,932	14,817	15,760	16,550
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	135	159	173	174	191	200
Total noncurrent assets	12,987	15,236	16,289	16,195	17,580	18,292
Total assets	$ 13,207	15,495	16,588	16,515	17,933	18,680
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 59	68	73	70	73	78
Accounts payable and other accrued expenses	—	1	1	1	1	1
Current portion of bonds payable	160	190	225	250	280	310
Total current liabilities	219	259	299	321	354	389
Noncurrent liabilities:						
Bonds payable, net	12,469	14,879	16,011	15,999	17,293	18,126
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	12,469	14,879	16,011	15,999	17,293	18,126
Total liabilities	12,688	15,138	16,310	16,320	17,647	18,515
Net assets restricted for debt service	519	357	278	195	286	165
Total liabilities and net assets	$ 13,207	15,495	16,588	16,515	17,933	18,680

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Balance Sheets

	Single Family Mortgage Programs					
Assets	**2003 Series A**	**2003 Series B**	**2003 Series C**	**2003 Series D**	**2003 Series E**	**2003 1 & 2 Draw Down**
Current assets:						
Restricted cash and cash equivalents	$ 315	325	415	355	415	—
Accrued interest receivable	89	89	94	113	119	—
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(5)	(2)	(5)	(3)	(3)	—
Total current assets	399	412	504	465	531	—
Noncurrent assets:						
Restricted cash and cash equivalents	819	1,091	1,038	2,621	1,937	—
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	20,083	19,882	23,281	22,596	25,840	—
Unrealized gain (loss) on securitized mortgage loans	(350)	(413)	(963)	(129)	(426)	—
Securitized mortgage loans, net	19,733	19,469	22,318	22,467	25,414	—
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	234	240	273	265	292	—
Total noncurrent assets	20,786	20,800	23,629	25,353	27,643	—
Total assets	$ 21,185	21,212	24,133	25,818	28,174	—
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 84	86	88	112	117	—
Accounts payable and other accrued expenses	1	1	1	1	1	—
Current portion of bonds payable	315	325	415	355	415	—
Total current liabilities	400	412	504	468	533	—
Noncurrent liabilities:						
Bonds payable, net	20,816	21,052	24,507	24,737	27,714	—
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	20,816	21,052	24,507	24,737	27,714	—
Total liabilities	21,216	21,464	25,011	25,205	28,247	—
Net assets restricted for debt service	(31)	(252)	(878)	613	(73)	—
Total liabilities and net assets	$ 21,185	21,212	24,133	25,818	28,174	—

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		Single Family Mortgage Programs					
Assets		**2004 Series A**	**2004 Series B**	**2004 Series C**	**2004 Series D**	**2004 Series E**	**2004 1&2 Draw Down**
Current assets:							
Restricted cash and cash equivalents	$	375	440	390	420	365	—
Accrued interest receivable		115	130	148	171	143	—
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		—	—	—	—	—	—
Total current assets		490	570	538	591	508	—
Noncurrent assets:							
Restricted cash and cash equivalents		2,364	2,647	2,109	2,702	1,643	—
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		22,752	27,259	28,496	33,085	29,274	—
Unrealized gain (loss) on securitized mortgage loans		(517)	(822)	(211)	(219)	(469)	—
Securitized mortgage loans, net		22,235	26,437	28,285	32,866	28,805	—
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		265	265	274	317	286	—
Total noncurrent assets		24,864	29,349	30,668	35,885	30,734	—
Total assets	$	25,354	29,919	31,206	36,476	31,242	—
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	289	325	384	468	371	—
Accounts payable and other accrued expenses		—	—	—	—	—	—
Current portion of bonds payable		375	440	390	420	365	—
Total current liabilities		664	765	774	888	736	—
Noncurrent liabilities:							
Bonds payable, net		24,359	29,108	29,773	34,930	30,389	—
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		24,359	29,108	29,773	34,930	30,389	—
Total liabilities		25,023	29,873	30,547	35,818	31,125	—
Net assets restricted for debt service		331	46	659	658	117	—
Total liabilities and net assets	$	25,354	29,919	31,206	36,476	31,242	—

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Balance Sheets

		Single Family Mortgage Programs					
Assets		**2004 Short Term**	**2005 Series A**	**2005 Series B**	**2005 Series C**	**2005 Draw Down**	**Total Single Family Mortgage Programs**
Current assets:							
Restricted cash and cash equivalents	$	—	145	—	10	302,394	312,554
Accrued interest receivable		—	150	392	58	—	4,399
Other current assets		—	—	—	—	—	5
Inter-entity receivable (payable)		—	—	—	—	—	(300)
Total current assets		—	295	392	68	302,394	316,658
Noncurrent assets:							
Restricted cash and cash equivalents		—	2,754	8,232	26,306	64,899	170,261
Restricted investments and reserve funds, net		—	—	—	—	—	4,336
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		—	28,306	22,799	1,671	—	711,800
Unrealized gain (loss) on securitized mortgage loans		—	(476)	(312)	102	—	2,873
Securitized mortgage loans, net		—	27,830	22,487	1,773	—	714,673
Restricted mortgage loans, net		—	—	—	—	—	1,510
Bond issuance costs, net		—	291	290	262	—	8,075
Total noncurrent assets		—	30,875	31,009	28,341	64,899	898,855
Total assets	$	—	31,170	31,401	28,409	367,293	1,215,513
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	—	308	489	60	—	7,143
Accounts payable and other accrued expenses		2	—	1	—	1	15
Current portion of bonds payable		—	145	—	10	302,394	312,554
Total current liabilities		2	453	490	70	302,395	319,712
Noncurrent liabilities:							
Bonds payable, net		—	30,731	30,883	27,750	64,850	859,806
Accrued arbitrage rebate		2	—	—	—	39	319
Total noncurrent liabilities		2	30,731	30,883	27,750	64,889	860,125
Total liabilities		4	31,184	31,373	27,820	367,284	1,179,837
Net assets restricted for debt service		(4)	(14)	28	589	9	35,676
Total liabilities and net assets	$	—	31,170	31,401	28,409	367,293	1,215,513

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1985 Series A**	**1994 Series A**	**1994 Series B**	**1994 Series C**	**1994 Series D**	**1994 Series E**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	112	135	121	121	116	165
Interest on securities and temporary investments		776	12	13	22	15	31
Loss on sale of assets		(18)	—	—	—	—	—
Net increase (decrease) in fair value of investments		—	(61)	(59)	(89)	(56)	(98)
Loan and commitment fees		—	—	—	—	—	—
Administrative fees and other		(7)	(5)	(6)	(6)	(4)	(2)
Total operating revenues		863	81	69	48	71	96
Operating expenses:							
Interest		213	136	127	140	136	191
Amortization of bond issuance costs		45	8	9	10	10	18
Administrative fees and other		25	—	—	—	—	1
Total operating expenses		283	144	136	150	146	210
Operating income (loss)		580	(63)	(67)	(102)	(75)	(114)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		580	(63)	(67)	(102)	(75)	(114)
Total net assets - beginning		3,459	381	286	315	189	395
Total net assets - ending	$	4,039	318	219	213	114	281
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	423	603	608	1,150	589	1,103
Noncapital financing activities		(4,020)	(650)	(704)	(837)	(772)	(1,401)
Investing activities		3,521	13	14	18	17	33
Net increase (decrease)		(76)	(34)	(82)	331	(166)	(265)
Beginning cash and cash equivalents		314	322	389	256	475	638
Ending cash and cash equivalents	$	238	288	307	587	309	373

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		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1994 Series F**	**1994 Series G**	**1994 Series H**	**1995 Series A**	**1995 Series B**	**1995 Series C**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	169	147	218	278	134	424
Interest on securities and temporary investments		28	31	37	50	10	66
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(78)	(193)	(113)	(136)	(40)	(236)
Loan and commitment fees		—	—	—	3	—	20
Administrative fees and other		(5)	(4)	(7)	(11)	(7)	(22)
Total operating revenues		114	(19)	135	184	97	252
Operating expenses:							
Interest		154	147	209	262	131	435
Amortization of bond issuance costs		7	21	19	11	—	31
Administrative fees and other		1	1	1	1	—	3
Total operating expenses		162	169	229	274	131	469
Operating income (loss)		(48)	(188)	(94)	(90)	(34)	(217)
Other financing sources (uses) – operating transfers		—	(487)	—	—	—	—
Change in net assets		(48)	(675)	(94)	(90)	(34)	(217)
Total net assets - beginning		775	871	803	1,180	134	1,139
Total net assets - ending	$	727	196	709	1,090	100	922
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	784	2,179	1,230	1,367	509	2,490
Noncapital financing activities		(1,304)	(2,737)	(1,581)	(2,331)	(516)	(2,917)
Investing activities		34	37	44	59	10	72
Net increase (decrease)		(486)	(521)	(307)	(905)	3	(355)
Beginning cash and cash equivalents		817	714	854	1,490	181	1,651
Ending cash and cash equivalents	$	331	193	547	585	184	1,296

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1995 Series D**	**1995 Series E**	**1995 Series F**	**1995 Series G**	**1995 Series H**	**1996 Series C**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	255	331	535	472	350	394
Interest on securities and temporary investments		40	97	103	94	78	65
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(144)	(226)	(297)	(233)	(221)	(188)
Loan and commitment fees		16	24	21	28	19	16
Administrative fees and other		(13)	(11)	(31)	(29)	(20)	(22)
Total operating revenues		154	215	331	332	206	265
Operating expenses:							
Interest		256	380	576	547	398	397
Amortization of bond issuance costs		21	30	38	34	31	21
Administrative fees and other		1	1	1	1	1	1
Total operating expenses		278	411	615	582	430	419
Operating income (loss)		(124)	(196)	(284)	(250)	(224)	(154)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(124)	(196)	(284)	(250)	(224)	(154)
Total net assets - beginning		877	1,066	1,570	655	852	1,132
Total net assets - ending	$	753	870	1,286	405	628	978
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	1,494	2,538	3,174	2,918	2,322	1,703
Noncapital financing activities		(1,836)	(3,447)	(3,265)	(3,674)	(2,535)	(2,610)
Investing activities		46	539	277	222	173	235
Net increase (decrease)		(296)	(370)	186	(534)	(40)	(672)
Beginning cash and cash equivalents		1,044	1,591	1,376	1,582	1,036	1,397
Ending cash and cash equivalents	$	748	1,221	1,562	1,048	996	725

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Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs					
		1996 Series D	1996 Series E	1996 Series G	1997 Series A	1997 Series B	1997 Series C
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	352	417	449	350	401	380
Interest on securities and temporary investments		65	74	83	66	59	97
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(195)	(261)	(251)	(207)	(220)	(250)
Loan and commitment fees		18	19	24	21	13	30
Administrative fees and other		(18)	(22)	(21)	(20)	(14)	(20)
Total operating revenues		222	227	284	210	239	237
Operating expenses:							
Interest		352	414	467	373	409	419
Amortization of bond issuance costs		23	25	31	26	17	39
Administrative fees and other		1	1	1	1	1	1
Total operating expenses		376	440	499	400	427	459
Operating income (loss)		(154)	(213)	(215)	(190)	(188)	(222)
Other financing sources (uses) – operating transfers		—	—	—	—	(105)	—
Change in net assets		(154)	(213)	(215)	(190)	(293)	(222)
Total net assets - beginning		1,045	1,312	973	707	951	941
Total net assets - ending	$	891	1,099	758	517	658	719

Condensed Statement of Cash Flows		1996 Series D	1996 Series E	1996 Series G	1997 Series A	1997 Series B	1997 Series C
Net cash provided (used) by:							
Operating activities	$	1,887	2,852	2,486	2,127	2,273	2,602
Noncapital financing activities		(2,621)	(2,811)	(3,386)	(2,902)	(1,887)	(4,030)
Investing activities		72	74	91	73	54	111
Net increase (decrease)		(662)	115	(809)	(702)	440	(1,317)
Beginning cash and cash equivalents		1,282	1,236	1,745	1,413	865	1,998
Ending cash and cash equivalents	$	620	1,351	936	711	1,305	681

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1997 Series E**	**1997 Series F**	**1997 Series G**	**1998 Series A**	**1998 Series B**	**1998 Series C**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	528	648	720	835	642	718
Interest on securities and temporary investments		74	100	113	122	118	103
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(253)	(365)	(394)	(370)	(313)	(288)
Loan and commitment fees		22	31	47	46	56	37
Administrative fees and other		(31)	(38)	(44)	(50)	(42)	(45)
Total operating revenues		340	376	442	583	461	525
Operating expenses:							
Interest		535	692	792	821	654	720
Amortization of bond issuance costs		26	40	56	55	55	47
Administrative fees and other		2	3	3	2	1	2
Total operating expenses		563	735	851	878	710	769
Operating income (loss)		(223)	(359)	(409)	(295)	(249)	(244)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(223)	(359)	(409)	(295)	(249)	(244)
Total net assets - beginning		897	976	912	1,220	1,015	896
Total net assets - ending	$	674	617	503	925	766	652
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	2,204	4,165	5,646	5,563	4,287	4,022
Noncapital financing activities		(2,921)	(4,341)	(6,353)	(5,548)	(5,542)	(4,839)
Investing activities		79	102	118	122	128	111
Net increase (decrease)		(638)	(74)	(589)	137	(1,127)	(706)
Beginning cash and cash equivalents		1,620	1,503	2,395	1,803	2,801	2,436
Ending cash and cash equivalents	$	982	1,429	1,806	1,940	1,674	1,730

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		1998 Series D	1998 Series E	1999 Series A	1999 Series B	1999 Series C	1999 Series D
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	748	752	792	913	133	602
Interest on securities and temporary investments		116	118	82	140	16	140
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(348)	(325)	(245)	(371)	(42)	(307)
Loan and commitment fees		42	48	32	48	5	41
Administrative fees and other		(43)	(48)	(53)	(61)	(8)	(38)
Total operating revenues		515	545	608	669	104	438
Operating expenses:							
Interest		787	790	793	973	133	675
Amortization of bond issuance costs		47	56	39	54	10	48
Administrative fees and other		2	2	2	2	—	2
Total operating expenses		836	848	834	1,029	143	725
Operating income (loss)		(321)	(303)	(226)	(360)	(39)	(287)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(321)	(303)	(226)	(360)	(39)	(287)
Total net assets - beginning		992	1,003	1,001	1,110	160	1,104
Total net assets - ending	$	671	700	775	750	121	817
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	4,595	5,057	3,746	5,969	454	4,539
Noncapital financing activities		(5,063)	(5,857)	(4,047)	(6,038)	(691)	(5,362)
Investing activities		120	127	83	140	17	144
Net increase (decrease)		(348)	(673)	(218)	71	(220)	(679)
Beginning cash and cash equivalents		2,437	2,836	1,101	1,183	331	1,546
Ending cash and cash equivalents	$	2,089	2,163	883	1,254	111	867

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Note 17

	Single Family Mortgage Programs						
Statements of Revenues, Expenses, and Changes in Net Assets		1999 Series E	1999 Series F	2000 Series A	2000 Series B	2000 Series C	2000 Series D
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	766	513	461	538	441	614
Interest on securities and temporary investments		165	110	104	112	105	134
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(429)	(279)	(251)	(318)	(250)	(342)
Loan and commitment fees		48	35	30	38	35	51
Administrative fees and other		(47)	(26)	(25)	(35)	(25)	(38)
Total operating revenues		503	353	319	335	306	419
Operating expenses:							
Interest		883	603	520	607	524	735
Amortization of bond issuance costs		55	45	36	41	35	49
Administrative fees and other		3	2	3	3	3	2
Total operating expenses		941	650	559	651	562	786
Operating income (loss)		(438)	(297)	(240)	(316)	(256)	(367)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(438)	(297)	(240)	(316)	(256)	(367)
Total net assets - beginning		1,058	666	828	826	601	775
Total net assets - ending	$	620	369	588	510	345	408
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	5,970	3,853	3,225	4,361	3,393	4,844
Noncapital financing activities		(6,160)	(4,504)	(3,725)	(4,220)	(3,857)	(5,167)
Investing activities		165	115	100	112	107	136
Net increase (decrease)		(25)	(536)	(400)	253	(357)	(187)
Beginning cash and cash equivalents		1,620	1,569	1,207	650	1,470	1,370
Ending cash and cash equivalents	$	1,595	1,033	807	903	1,113	1,183

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2000 Series E**	**2000 Second Mortgage Series F**	**2001 Series A and Issue 1**	**2001 Series B**	**2001 Series C**	**2001 Series D**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	804	33	768	716	764	698
Interest on securities and temporary investments		106	5	114	109	117	95
Loss on sale of assets		—	(58)	—	—	—	—
Net increase (decrease) in fair value of investments		(405)	—	(300)	(299)	(326)	(199)
Loan and commitment fees		46	—	53	49	48	52
Administrative fees and other		(45)	1	(52)	(46)	(48)	(18)
Total operating revenues		506	(19)	583	529	555	628
Operating expenses:							
Interest		861	32	831	765	815	740
Amortization of bond issuance costs		44	9	49	47	48	49
Administrative fees and other		2	3	2	2	2	2
Total operating expenses		907	44	882	814	865	791
Operating income (loss)		(401)	(63)	(299)	(285)	(310)	(163)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(401)	(63)	(299)	(285)	(310)	(163)
Total net assets - beginning		1,004	379	950	728	777	460
Total net assets - ending	$	603	316	651	443	467	297

Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	4,744	221	4,743	3,825	4,169	4,069
Noncapital financing activities		(4,427)	(168)	(5,027)	(4,681)	(4,598)	(4,694)
Investing activities		102	(53)	115	111	117	98
Net increase (decrease)		419	—	(169)	(745)	(312)	(527)
Beginning cash and cash equivalents		807	225	1,427	1,867	1,500	1,210
Ending cash and cash equivalents	$	1,226	225	1,258	1,122	1,188	683

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**	**2002 Series E**	**2002 Series F**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	706	820	862	836	871	923
Interest on securities and temporary investments		150	114	108	88	84	73
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(332)	(329)	(325)	(246)	(201)	(246)
Loan and commitment fees		72	60	59	50	50	58
Administrative fees and other		(31)	(42)	(45)	(38)	(35)	(39)
Total operating revenues		565	623	659	690	769	769
Operating expenses:							
Interest		806	889	919	881	903	938
Amortization of bond issuance costs		70	60	61	54	56	55
Administrative fees and other		2	2	2	2	4	2
Total operating expenses		878	951	982	937	963	995
Operating income (loss)		(313)	(328)	(323)	(247)	(194)	(226)
Other financing sources (uses) – operating transfers		—	—	(484)	(492)	(388)	(354)
Change in net assets		(313)	(328)	(807)	(739)	(582)	(580)
Total net assets - beginning		832	685	1,085	934	868	745
Total net assets - ending	$	519	357	278	195	286	165
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	5,738	5,556	4,626	4,676	4,322	5,142
Noncapital financing activities		(6,779)	(5,901)	(5,870)	(5,176)	(4,841)	(5,095)
Investing activities		153	115	111	89	86	74
Net increase (decrease)		(888)	(230)	(1,133)	(411)	(433)	121
Beginning cash and cash equivalents		2,112	1,265	2,542	1,865	2,342	1,731
Ending cash and cash equivalents	$	1,224	1,035	1,409	1,454	1,909	1,852

(Continued)

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2003 Series A**	**2003 Series B**	**2003 Series C**	**2003 Series D**	**2003 Series E**	**2003 1 & 2 Draw Down**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	1,035	1,030	1,079	1,292	1,381	—
Interest on securities and temporary investments		63	77	53	137	74	3
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(168)	(143)	(35)	(482)	(201)	—
Loan and commitment fees		51	58	56	74	49	—
Administrative fees and other		(60)	(34)	(69)	(46)	(37)	—
Total operating revenues		921	988	1,084	975	1,266	3
Operating expenses:							
Interest		1,014	1,049	1,026	1,372	1,377	—
Amortization of bond issuance costs		48	48	43	69	38	(4)
Administrative fees and other		4	3	3	3	3	2
Total operating expenses		1,066	1,100	1,072	1,444	1,418	(2)
Operating income (loss)		(145)	(112)	12	(469)	(152)	5
Other financing sources (uses) – operating transfers		(175)	(309)	(357)	26	(235)	(2)
Change in net assets		(320)	(421)	(345)	(443)	(387)	3
Total net assets - beginning		289	169	(533)	1,056	314	(3)
Total net assets - ending	$	(31)	(252)	(878)	613	(73)	—
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	4,333	4,646	4,184	7,740	4,361	(6)
Noncapital financing activities		(4,503)	(4,453)	(3,908)	(6,807)	(3,988)	(47)
Investing activities		63	76	53	135	73	—
Net increase (decrease)		(107)	269	329	1,068	446	(53)
Beginning cash and cash equivalents		1,241	1,147	1,124	1,908	1,906	53
Ending cash and cash equivalents	$	1,134	1,416	1,453	2,976	2,352	—

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2004 Series A**	**2004 Series B**	**2004 Series C**	**2004 Series D**	**2004 Series E**	**2004 1&2 Draw Down**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	1,194	1,333	1,533	1,609	961	—
Interest on securities and temporary investments		60	73	75	166	222	1,601
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(153)	(146)	(371)	(287)	(469)	—
Loan and commitment fees		18	21	15	22	11	—
Administrative fees and other		—	—	3	2	—	—
Total operating revenues		1,119	1,281	1,255	1,512	725	1,601
Operating expenses:							
Interest		1,120	1,229	1,376	1,628	1,172	1,598
Amortization of bond issuance costs		23	26	19	21	13	16
Administrative fees and other		3	3	1	2	1	3
Total operating expenses		1,146	1,258	1,396	1,651	1,186	1,617
Operating income (loss)		(27)	23	(141)	(139)	(461)	(16)
Other financing sources (uses) – operating transfers		(5)	(16)	(35)	(120)	578	11
Change in net assets		(32)	7	(176)	(259)	117	(5)
Total net assets - beginning		363	39	835	917	—	5
Total net assets - ending	$	331	46	659	658	117	—
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	2,931	1,510	(3,591)	(25,912)	(27,854)	7
Noncapital financing activities		(2,432)	(2,676)	(2,045)	(2,086)	29,654	(93,377)
Investing activities		111	150	162	266	208	1,608
Net increase (decrease)		610	(1,016)	(5,474)	(27,732)	2,008	(91,762)
Beginning cash and cash equivalents		2,129	4,103	7,973	30,854	—	91,762
Ending cash and cash equivalents	$	2,739	3,087	2,499	3,122	2,008	—

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2004 Short Term**	**2005 Series A**	**2005 Series B**	**2005 Series C**	**2005 Draw Down**	**Total Single Family Mortgage Programs**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	—	550	152	10	—	40,150
Interest on securities and temporary investments		2,930	235	313	48	4,905	16,182
Loss on sale of assets		—	—	—	—	—	(76)
Net increase (decrease) in fair value of investments		—	(476)	(312)	102	—	(15,691)
Loan and commitment fees		—	8	5	1	—	1,950
Administrative fees and other		—	—	—	—	—	(1,703)
Total operating revenues		2,930	317	158	161	4,905	40,812
Operating expenses:							
Interest		2,929	726	480	58	4,905	51,945
Amortization of bond issuance costs		12	7	4	1	30	2,335
Administrative fees and other		7	1	1	—	1	152
Total operating expenses		2,948	734	485	59	4,936	54,432
Operating income (loss)		(18)	(417)	(327)	102	(31)	(13,620)
Other financing sources (uses) – operating transfers		1	403	355	487	40	(1,663)
Change in net assets		(17)	(14)	28	589	9	(15,283)
Total net assets - beginning		13	—	—	—	—	50,959
Total net assets - ending	$	(4)	(14)	28	589	9	35,676

Condensed Statement of Cash Flows

Net cash provided (used) by:							
Operating activities	$	(4)	(27,469)	(22,366)	(1,184)	39	90,500
Noncapital financing activities		(179,209)	30,159	30,598	27,500	362,309	(21,577)
Investing activities		2,931	209	—	—	4,945	19,973
Net increase (decrease)		(176,282)	2,899	8,232	26,316	367,293	88,896
Beginning cash and cash equivalents		176,282	—	—	—	—	393,919
Ending cash and cash equivalents	$	—	2,899	8,232	26,316	367,293	482,815

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Note 17

Balance Sheets

	Rental Housing Programs					
	1987 Series A, B	1997 Series B	1998 Series A, B	2001 Series A, B, C, D	2001 Series E	1995 Series A
Assets						
Current assets:						
Restricted cash and cash equivalents	$ —	65	170	—	100	1
Accrued interest receivable	1	19	1	84	2	13
Inter-entity receivable (payable)	(1)	(1)	(3)	(12)	(6)	—
Total current assets	—	83	168	72	96	14
Noncurrent assets:						
Restricted cash and cash equivalents	—	21	3	311	231	—
Note receivable	9,900	—	—	—	—	—
Securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	—	3,875	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	(1)	—	—	—	—
Total securitized mortgage loans, net	—	3,874	—	—	—	—
Mortgage loans, net	—	—	8,853	19,015	9,863	3,765
Bond issuance costs, net	—	—	—	—	—	—
Total noncurrent assets	9,900	3,895	8,856	19,326	10,094	3,765
Total assets	$ 9,900	3,978	9,024	19,398	10,190	3,779
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ —	53	117	238	206	12
Accounts payable and other accrued expenses	—	—	5	2	41	1
Current portion of bonds payable	—	65	170	—	100	42
Total current liabilities	—	118	292	240	347	55
Noncurrent liabilities:						
Bonds payable, net	9,900	3,770	8,725	19,015	9,805	3,782
Accrued arbitrage rebate	—	25	1	—	—	—
Total noncurrent liabilities	9,900	3,795	8,726	19,015	9,805	3,782
Total liabilities	9,900	3,913	9,018	19,255	10,152	3,837
Net assets restricted for debt service	—	65	6	143	38	(58)
Total liabilities and net assets	$ 9,900	3,978	9,024	19,398	10,190	3,779

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Balance Sheets

	Rental Housing Programs					
	1997 Series A	2002 Series A, B	2003 Series A&B	2004 Series A, B	2004 Series C,D	2004 Series F&G
Assets						
Current assets:						
Restricted cash and cash equivalents	$ 1	95	105	200	120	110
Accrued interest receivable	13	51	41	44	57	49
Inter-entity receivable (payable)	—	—	—	—	—	—
Total current assets	14	146	146	244	177	159
Noncurrent assets:						
Restricted cash and cash equivalents	—	470	285	304	390	1,697
Note receivable	—	—	—	—	—	—
Securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans	—	—	—	—	—	—
Total securitized mortgage loans, net	—	—	—	—	—	—
Mortgage loans, net	3,243	9,327	8,940	9,727	12,029	10,746
Bond issuance costs, net	—	204	88	247	92	56
Total noncurrent assets	3,243	10,001	9,313	10,278	12,511	12,499
Total assets	$ 3,257	10,147	9,459	10,522	12,688	12,658
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 13	146	41	43	57	49
Accounts payable and other accrued expenses	1	—	1	2	2	1,341
Current portion of bonds payable	45	95	105	200	120	110
Total current liabilities	59	241	147	245	179	1,500
Noncurrent liabilities:						
Bonds payable, net	3,278	10,090	9,360	9,985	12,525	11,235
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	3,278	10,090	9,360	9,985	12,525	11,235
Total liabilities	3,337	10,331	9,507	10,230	12,704	12,735
Net assets restricted for debt service	(80)	(184)	(48)	292	(16)	(77)
Total liabilities and net assets	$ 3,257	10,147	9,459	10,522	12,688	12,658

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Balance Sheets

		Rental Housing Programs					
Assets		**2004 Series H**	**2004 Series E**	**2005 Series A, B**	**2005 Series C,D**	**2005 Series E,F**	**Total Rental Housing Programs**
Current assets:							
Restricted cash and cash equivalents	$	—	45	120	40	130	1,302
Accrued interest receivable		—	32	52	17	55	531
Inter-entity receivable (payable)		—	(1)	—	—	—	(24)
Total current assets		—	76	172	57	185	1,809
Noncurrent assets:							
Restricted cash and cash equivalents		—	—	345	727	361	5,145
Note receivable		—	—	—	—	—	9,900
Securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		—	—	—	—	—	3,875
Unrealized gain (loss) securitized mortgage loans		—	—	—	—	—	(1)
Total securitized mortgage loans, net		—	—	—	—	—	3,874
Mortgage loans, net		—	7,460	11,490	4,008	12,708	131,174
Bond issuance costs, net		—	—	123	—	208	1,018
Total noncurrent assets		—	7,460	11,958	4,735	13,277	151,111
Total assets	$	—	7,536	12,130	4,792	13,462	152,920
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	—	31	52	17	55	1,130
Accounts payable and other accrued expenses		—	1	2	602	3	2,004
Current portion of bonds payable		—	7,460	120	40	130	8,802
Total current liabilities		—	7,492	174	659	188	11,936
Noncurrent liabilities:							
Bonds payable, net		—	—	12,015	4,216	13,336	141,037
Accrued arbitrage rebate		—	—	1	—	—	27
Total noncurrent liabilities		—	—	12,016	4,216	13,336	141,064
Total liabilities		—	7,492	12,190	4,875	13,524	153,000
Net assets restricted for debt service		—	44	(60)	(83)	(62)	(80)
Total liabilities and net assets	$	—	7,536	12,130	4,792	13,462	152,920

(Continued)

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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Note 17

Statements of Revenues, Expenses, and Changes in Net Assets	Rental Housing Programs 1987 Series A, B	1997 Series B	1998 Series A, B	2001 Series A, B, C, D	2001 Series E&F	1995 Series A
Operating revenues:						
Interest on mortgage loans and securitized mortgage loan	$ 759	225	474	1,096	590	231
Interest on securities and temporary investment:	—	5	—	6	—	—
Net increase (decrease) in fair value of investment:	—	(2)	—	—	—	—
Loan and commitment fees	—	—	—	—	—	—
Administrative fees and other	(12)	(4)	40	(49)	2	(8)
Total operating revenues	747	224	514	1,053	592	223
Operating expenses:						
Interest expense	718	216	474	951	590	212
Amortization of bond issuance costs	—	—	—	—	—	—
Provision (recovery) for loan losses	—	—	—	—	—	(1)
Administrative fees and other	29	2	36	95	5	12
Total operating expenses	747	218	510	1,046	595	223
Operating income (loss)	—	6	4	7	(3)	—
Other financing sources (uses) – operating transfers	—	—	—	—	—	2
Change in net assets	—	6	4	7	(3)	2
Total net assets - beginning	—	59	2	136	41	(60)
Total net assets - ending	$ —	65	6	143	38	(58)

Condensed Statement of Cash Flows

Condensed Statement of Cash Flows	1987 Series A, B	1997 Series B	1998 Series A, B	2001 Series A, B, C, D	2001 Series E&F	1995 Series A
Net cash provided (used) by:						
Operating activities	$ 718	279	636	951	707	252
Noncapital financing activities	(718)	(302)	(636)	(951)	(687)	(252)
Investing activities	—	5	—	6	—	—
Net increase (decrease)	—	(18)	—	6	20	—
Beginning cash and cash equivalents	—	104	173	305	311	1
Ending cash and cash equivalents	$ —	86	173	311	331	1

(Continued)

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Statements of Revenues, Expenses, and Changes in Net Assets		**Rental Housing Programs 1997 Series A**	**2002 Series A, B**	**2003 Series A, B**	**2004 Series A, B**	**2004 Series C&D**	**2004 Series F&G**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loan	$	232	570	483	508	663	467
Interest on securities and temporary investment:		—	18	15	47	25	13
Net increase (decrease) in fair value of investment:		—	—	—	—	—	—
Loan and commitment fees		2	8	8	3	8	8
Administrative fees and othei		(8)	—	—	—	(2)	152
Total operating revenues		226	596	506	558	694	640
Operating expenses:							
Interest expense		216	569	492	519	688	479
Amortization of bond issuance costs		—	10	4	12	4	3
Provision (recovery) for loan losse:		(1)	9	9	10	—	11
Administrative fees and othei		12	2	4	2	2	2
Total operating expenses		227	590	509	543	694	495
Operating income (loss)		(1)	6	(3)	15	—	145
Other financing sources (uses) – operating transfers		2	—	—	—	—	(222)
Change in net assets		1	6	(3)	15	—	(77)
Total net assets - beginning		(81)	(190)	(45)	277	(16)	—
Total net assets - ending	$	(80)	(184)	(48)	292	(16)	(77)

Condensed Statement of Cash Flows

Net cash provided (used) by:							
Operating activities	$	258	658	577	690	777	(9,061)
Noncapital financing activities		(258)	(680)	(588)	(706)	(863)	10,856
Investing activities		—	18	15	51	27	12
Net increase (decrease)		—	(4)	4	35	(59)	1,807
Beginning cash and cash equivalents		1	569	386	469	569	—
Ending cash and cash equivalents	$	1	565	390	504	510	1,807

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		Rental Housing Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2004 Series H**	**2004 Series E**	**2005 Series A, B**	**2005 Series C,D**	**2005 Series E,F**	**Total Rental Housing Programs**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loan	$	—	301	341	58	163	7,161
Interest on securities and temporary investment		43	—	11	3	3	189
Net increase (decrease) in fair value of investment		—	—	—	—	—	(2)
Loan and commitment fees		—	—	6	1	3	47
Administrative fees and other		—	33	184	—	210	538
Total operating revenues		43	334	542	62	379	7,933
Operating expenses:							
Interest expense		43	289	347	58	165	7,026
Amortization of bond issuance costs		—	—	4	—	2	39
Provision (recovery) for loan losses		—	—	12	4	13	66
Administrative fees and other		—	1	3	1	1	209
Total operating expenses		43	290	366	63	181	7,340
Operating income (loss)		—	44	176	(1)	198	593
Other financing sources (uses) – operating transfers		—	—	(236)	(82)	(260)	(796)
Change in net assets		—	44	(60)	(83)	(62)	(203)
Total net assets - beginning		—	—	—	—	—	123
Total net assets - ending	$	—	44	(60)	(83)	(62)	(80)
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	—	(7,157)	(11,257)	(3,451)	(12,657)	(37,080)
Noncapital financing activities		(43)	7,202	11,712	4,215	13,146	40,447
Investing activities		43	—	10	3	2	192
Net increase (decrease)		—	45	465	767	491	3,559
Beginning cash and cash equivalents		—	—	—	—	—	2,888
Ending cash and cash equivalents	$	—	45	465	767	491	6,447

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Balance Sheets

		Single Family Mortgage Programs					
Assets		**1985 Series A, B 1987 Series A, B, C**	**1988 Series A**	**1988 Series B**	**1994 Series A**	**1994 Series B**	**1994 Series C**
Current assets:							
Restricted cash and cash equivalents	$	—	—	—	—	—	—
Accrued interest receivable		170	—	—	16	14	16
Other current assets		14	—	—	—	—	—
Inter-entity receivable (payable)		(77)	—	—	(1)	(1)	(1)
Total current assets		107	—	—	15	13	15
Noncurrent assets:							
Restricted cash and cash equivalents		314	—	—	322	389	256
Restricted investments and reserve funds, net		5,751	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		—	—	—	2,164	2,007	2,364
Unrealized gain (loss) on securitized mortgage loans		—	—	—	149	135	153
Securitized mortgage loans, net		—	—	—	2,313	2,142	2,517
Restricted mortgage loans, net		1,342	—	—	—	—	—
Bond issuance costs, net		4	—	—	30	34	32
Other real estate owned, net		22	—	—	—	—	—
Total noncurrent assets		7,433	—	—	2,665	2,565	2,805
Total assets	$	7,540	—	—	2,680	2,578	2,820
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	95	—	—	39	38	40
Accounts payable and other accrued expenses		—	—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		95	—	—	39	38	40
Noncurrent liabilities:							
Bonds payable, net		3,986	—	—	2,260	2,254	2,465
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		3,986	—	—	2,260	2,254	2,465
Total liabilities		4,081	—	—	2,299	2,292	2,505
Net assets restricted for debt service		3,459	—	—	381	286	315
Total liabilities and net assets	$	7,540	—	—	2,680	2,578	2,820

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Balance Sheets

		Single Family Mortgage Programs					
Assets		**1994 Series D**	**1994 Series E**	**1994 Series F**	**1994 Series G**	**1994 Series H**	**1995 Series A**
Current assets:							
Restricted cash and cash equivalents	$	—	—	—	—	—	—
Accrued interest receivable		15	21	25	26	31	42
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		(1)	(2)	(1)	(1)	(3)	(4)
Total current assets		14	19	24	25	28	38
Noncurrent assets:							
Restricted cash and cash equivalents		475	638	817	714	854	1,490
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		1,967	2,890	2,638	2,509	3,615	4,534
Unrealized gain (loss) on securitized mortgage loans		126	202	192	193	246	326
Securitized mortgage loans, net		2,093	3,092	2,830	2,702	3,861	4,860
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		33	45	34	21	50	68
Other real estate owned, net		—	—	—	—	—	—
Total noncurrent assets		2,601	3,775	3,681	3,437	4,765	6,418
Total assets	$	2,615	3,794	3,705	3,462	4,793	6,456
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	41	59	50	46	65	86
Accounts payable and other accrued expenses		—	—	—	—	—	—
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		41	59	50	46	65	86
Noncurrent liabilities:							
Bonds payable, net		2,385	3,340	2,880	2,545	3,925	5,190
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		2,385	3,340	2,880	2,545	3,925	5,190
Total liabilities		2,426	3,399	2,930	2,591	3,990	5,276
Net assets restricted for debt service		189	395	775	871	803	1,180
Total liabilities and net assets	$	2,615	3,794	3,705	3,462	4,793	6,456

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Balance Sheets

	Single Family Mortgage Programs					
Assets	**1995 Series B**	**1995 Series C**	**1995 Series D**	**1995 Series E**	**1995 Series F**	**1995 Series G**
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	14	55	36	54	72	66
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(1)	(6)	(3)	(4)	(7)	(9)
Total current assets	13	49	33	50	65	57
Noncurrent assets:						
Restricted cash and cash equivalents	181	1,651	1,044	1,591	1,376	1,582
Restricted investments and reserve funds, net	—	—	—	435	696	498
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	2,465	7,389	4,332	6,196	9,637	9,499
Unrealized gain (loss) on securitized mortgage loans	70	507	323	428	600	437
Securitized mortgage loans, net	2,535	7,896	4,655	6,624	10,237	9,936
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	—	108	63	75	150	116
Other real estate owned, net	—	—	—	—	—	—
Total noncurrent assets	2,716	9,655	5,762	8,725	12,459	12,132
Total assets	$ 2,729	9,704	5,795	8,775	12,524	12,189
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 35	130	78	119	164	159
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	35	130	78	119	164	159
Noncurrent liabilities:						
Bonds payable, net	2,560	8,435	4,840	7,590	10,790	11,375
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	2,560	8,435	4,840	7,590	10,790	11,375
Total liabilities	2,595	8,565	4,918	7,709	10,954	11,534
Net assets restricted for debt service	134	1,139	877	1,066	1,570	655
Total liabilities and net assets	$ 2,729	9,704	5,795	8,775	12,524	12,189

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Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**1995 Series H**	**1996 Series C**	**1996 Series D**	**1996 Series E**	**1996 Series G**	**1997 Series A**
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	51	55	50	58	64	49
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(5)	(6)	(5)	(6)	(7)	(6)
Total current assets	46	49	45	52	57	43
Noncurrent assets:						
Restricted cash and cash equivalents	1,036	1,397	1,282	1,236	1,745	1,413
Restricted investments and reserve funds, net	333	312	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	6,473	6,742	6,141	7,339	7,918	6,288
Unrealized gain (loss) on securitized mortgage loans	438	447	435	531	538	423
Securitized mortgage loans, net	6,911	7,189	6,576	7,870	8,456	6,711
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	111	78	63	75	86	68
Other real estate owned, net	—	—	—	—	—	—
Total noncurrent assets	8,391	8,976	7,921	9,181	10,287	8,192
Total assets	$ 8,437	9,025	7,966	9,233	10,344	8,235
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 115	118	106	121	141	113
Accounts payable and other accrued expenses	—	—	—	—	—	—
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	115	118	106	121	141	113
Noncurrent liabilities:						
Bonds payable, net	7,470	7,775	6,815	7,800	9,230	7,415
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	7,470	7,775	6,815	7,800	9,230	7,415
Total liabilities	7,585	7,893	6,921	7,921	9,371	7,528
Net assets restricted for debt service	852	1,132	1,045	1,312	973	707
Total liabilities and net assets	$ 8,437	9,025	7,966	9,233	10,344	8,235

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Balance Sheets

		Single Family Mortgage Programs					
Assets		**1997 Series B**	**1997 Series C**	**1997 Series E**	**1997 Series F**	**1997 Series G**	**1998 Series A**
Current assets:							
Restricted cash and cash equivalents	$	—	—	—	—	—	—
Accrued interest receivable		47	63	62	74	90	99
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		(4)	(6)	(8)	(11)	(13)	(16)
Total current assets		43	57	54	63	77	83
Noncurrent assets:							
Restricted cash and cash equivalents		865	1,998	1,620	1,503	2,395	1,803
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		6,915	7,181	9,302	12,318	14,857	17,348
Unrealized gain (loss) on securitized mortgage loans		467	487	565	707	686	654
Securitized mortgage loans, net		7,382	7,668	9,867	13,025	15,543	18,002
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		70	87	97	125	158	186
Other real estate owned, net		—	—	—	—	—	—
Total noncurrent assets		8,317	9,753	11,584	14,653	18,096	19,991
Total assets	$	8,360	9,810	11,638	14,716	18,173	20,074
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	114	134	154	197	233	255
Accounts payable and other accrued expenses		—	—	—	1	1	1
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		114	134	154	198	234	256
Noncurrent liabilities:							
Bonds payable, net		7,295	8,735	10,580	13,535	17,020	18,597
Accrued arbitrage rebate		—	—	7	7	7	1
Total noncurrent liabilities		7,295	8,735	10,587	13,542	17,027	18,598
Total liabilities		7,409	8,869	10,741	13,740	17,261	18,854
Net assets restricted for debt service		951	941	897	976	912	1,220
Total liabilities and net assets	$	8,360	9,810	11,638	14,716	18,173	20,074

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Balance Sheets

	Single Family Mortgage Programs					
	1998 Series B	1998 Series C	1998 Series D	1998 Series E	1999 Series A	1999 Series B
Assets						
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	93	96	101	106	81	104
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(12)	(13)	(13)	(14)	(5)	(6)
Total current assets	81	83	88	92	76	98
Noncurrent assets:						
Restricted cash and cash equivalents	2,801	2,436	2,437	2,836	1,101	1,183
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	13,675	15,008	15,409	16,338	16,444	20,561
Unrealized gain (loss) on securitized mortgage loans	522	437	456	346	255	385
Securitized mortgage loans, net	14,197	15,445	15,865	16,684	16,699	20,946
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	163	167	169	180	175	201
Other real estate owned, net	—	—	—	—	—	—
Total noncurrent assets	17,161	18,048	18,471	19,700	17,975	22,330
Total assets	$ 17,242	18,131	18,559	19,792	18,051	22,428
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 224	233	241	251	75	97
Accounts payable and other accrued expenses	—	—	1	1	1	1
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	224	233	242	252	76	98
Noncurrent liabilities:						
Bonds payable, net	15,999	16,996	17,323	18,535	16,972	21,220
Accrued arbitrage rebate	4	6	2	2	2	—
Total noncurrent liabilities	16,003	17,002	17,325	18,537	16,974	21,220
Total liabilities	16,227	17,235	17,567	18,789	17,050	21,318
Net assets restricted for debt service	1,015	896	992	1,003	1,001	1,110
Total liabilities and net assets	$ 17,242	18,131	18,559	19,792	18,051	22,428

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Balance Sheets

		Single Family Mortgage Programs					
Assets		**1999 Series C**	**1999 Series D**	**1999 Series E**	**1999 Series F**	**2000 Series A**	**2000 Series B**
Current assets:							
Restricted cash and cash equivalents	$	—	—	—	—	—	—
Accrued interest receivable		13	78	97	66	58	66
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		(1)	(4)	(5)	(4)	(3)	(4)
Total current assets		12	74	92	62	55	62
Noncurrent assets:							
Restricted cash and cash equivalents		331	1,546	1,620	1,569	1,207	650
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		2,516	13,512	16,485	10,826	9,247	11,155
Unrealized gain (loss) on securitized mortgage loans		84	493	628	468	496	516
Securitized mortgage loans, net		2,600	14,005	17,113	11,294	9,743	11,671
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		42	137	172	129	107	125
Other real estate owned, net		—	—	—	—	—	—
Total noncurrent assets		2,973	15,688	18,905	12,992	11,057	12,446
Total assets	$	2,985	15,762	18,997	13,054	11,112	12,508
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	12	70	92	65	57	61
Accounts payable and other accrued expenses		—	—	1	—	1	—
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		12	70	93	65	58	61
Noncurrent liabilities:							
Bonds payable, net		2,813	14,588	17,843	12,302	10,143	11,586
Accrued arbitrage rebate		—	—	3	21	83	35
Total noncurrent liabilities		2,813	14,588	17,846	12,323	10,226	11,621
Total liabilities		2,825	14,658	17,939	12,388	10,284	11,682
Net assets restricted for debt service		160	1,104	1,058	666	828	826
Total liabilities and net assets	$	2,985	15,762	18,997	13,054	11,112	12,508

(Continued)

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Note 17

Balance Sheets	2000 Series C	2000 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A	2001 Series B
	Single Family Mortgage Programs					
Assets						
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	57	80	86	4	88	82
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(3)	(4)	(5)	—	(5)	(5)
Total current assets	54	76	81	4	83	77
Noncurrent assets:						
Restricted cash and cash equivalents	1,470	1,370	807	225	1,427	1,867
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	8,842	13,084	15,447	—	16,940	14,803
Unrealized gain (loss) on securitized mortgage loans	452	608	696	—	385	453
Securitized mortgage loans, net	9,294	13,692	16,143	—	17,325	15,256
Restricted mortgage loans, net	—	—	—	679	—	—
Bond issuance costs, net	100	147	164	28	186	176
Other real estate owned, net	—	—	—	—	—	—
Total noncurrent assets	10,864	15,209	17,114	932	18,938	17,299
Total assets	$ 10,918	15,285	17,195	936	19,021	17,376
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 55	78	83	3	83	79
Accounts payable and other accrued expenses	—	1	—	1	1	1
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	55	79	83	4	84	80
Noncurrent liabilities:						
Bonds payable, net	10,236	14,328	16,008	553	17,987	16,568
Accrued arbitrage rebate	26	103	100	—	—	—
Total noncurrent liabilities	10,262	14,431	16,108	553	17,987	16,568
Total liabilities	10,317	14,510	16,191	557	18,071	16,648
Net assets restricted for debt service	601	775	1,004	379	950	728
Total liabilities and net assets	$ 10,918	15,285	17,195	936	19,021	17,376

(Continued)

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Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**2001 Series C**	**2001 Series D**	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	83	80	91	96	101	94
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(5)	(2)	(4)	(5)	(5)	(4)
Total current assets	78	78	87	91	96	90
Noncurrent assets:						
Restricted cash and cash equivalents	1,500	1,210	2,112	1,265	2,542	1,865
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	15,660	16,261	16,627	18,836	19,032	19,133
Unrealized gain (loss) on securitized mortgage loans	513	184	463	426	441	231
Securitized mortgage loans, net	16,173	16,445	17,090	19,262	19,473	19,364
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	186	191	205	219	234	229
Other real estate owned, net	—	—	—	—	—	—
Total noncurrent assets	17,859	17,846	19,407	20,746	22,249	21,458
Total assets	$ 17,937	17,924	19,494	20,837	22,345	21,548
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 80	76	86	91	94	88
Accounts payable and other accrued expenses	—	—	1	2	1	1
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	80	76	87	93	95	89
Noncurrent liabilities:						
Bonds payable, net	17,080	17,388	18,575	20,059	21,165	20,525
Accrued arbitrage rebate	—	—	—	—	—	—
Total noncurrent liabilities	17,080	17,388	18,575	20,059	21,165	20,525
Total liabilities	17,160	17,464	18,662	20,152	21,260	20,614
Net assets restricted for debt service	777	460	832	685	1,085	934
Total liabilities and net assets	$ 17,937	17,924	19,494	20,837	22,345	21,548

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Note 17

Balance Sheets

		Single Family Mortgage Programs					
Assets		**2002 Series E**	**2002 Series F**	**2002 1 & 2 Draw Down**	**2003 Series A**	**2003 Series B**	**2003 Series C**
Current assets:							
Restricted cash and cash equivalents	$	—	—	—	—	—	—
Accrued interest receivable		96	103	—	104	105	108
Other current assets		—	—	—	—	—	—
Inter-entity receivable (payable)		(4)	(4)	—	(6)	(3)	(6)
Total current assets		92	99	—	98	102	102
Noncurrent assets:							
Restricted cash and cash equivalents		2,342	1,731	—	1,241	1,147	1,124
Restricted investments and reserve funds, net		—	—	—	—	—	—
Restricted securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		19,672	21,208	—	23,556	23,770	26,745
Unrealized gain (loss) on securitized mortgage loans		100	122	—	(182)	(270)	(928)
Securitized mortgage loans, net		19,772	21,330	—	23,374	23,500	25,817
Restricted mortgage loans, net		—	—	—	—	—	—
Bond issuance costs, net		243	255	—	282	288	316
Other real estate owned, net		—	—	—	—	—	—
Total noncurrent assets		22,357	23,316	—	24,897	24,935	27,257
Total assets	$	22,449	23,415	—	24,995	25,037	27,359
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	89	94	—	97	98	97
Accounts payable and other accrued expenses		2	1	—	2	1	1
Current portion of bonds payable		—	—	—	—	—	—
Total current liabilities		91	95	—	99	99	98
Noncurrent liabilities:							
Bonds payable, net		21,490	22,575	—	24,607	24,769	27,794
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		21,490	22,575	—	24,607	24,769	27,794
Total liabilities		21,581	22,670	—	24,706	24,868	27,892
Net assets restricted for debt service		868	745	—	289	169	(533)
Total liabilities and net assets	$	22,449	23,415	—	24,995	25,037	27,359

(Continued)

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Note 17

Balance Sheets

	Single Family Mortgage Programs					
Assets	**2003 Series D**	**2003 Series E**	**2003 1 & 2 Draw Down**	**2004 Series A**	**2004 Series B**	**2004 Series C**
Current assets:						
Restricted cash and cash equivalents	$ —	—	—	—	—	—
Accrued interest receivable	143	133	—	174	206	186
Other current assets	—	—	—	—	—	—
Inter-entity receivable (payable)	(4)	(3)	—	—	—	—
Total current assets	139	130	—	174	206	186
Noncurrent assets:						
Restricted cash and cash equivalents	1,908	1,906	53	2,129	4,103	7,973
Restricted investments and reserve funds, net	—	—	—	—	—	—
Restricted securitized morgtage loans, net:						
Securitized mortgage loans, net (cost)	28,960	29,031	—	24,473	27,435	23,440
Unrealized gain (loss) on securitized mortgage loans	354	(225)	—	(365)	(676)	160
Securitized mortgage loans, net	29,314	28,806	—	24,108	26,759	23,600
Restricted mortgage loans, net	—	—	—	—	—	—
Bond issuance costs, net	335	330	—	289	291	292
Other real estate owned, net	—	—	—	—	—	—
Total noncurrent assets	31,557	31,042	53	26,526	31,153	31,865
Total assets	$ 31,696	31,172	53	26,700	31,359	32,051
Liabilities and Net Assets						
Current liabilities:						
Accrued interest payable	$ 135	127	3	563	492	383
Accounts payable and other accrued expenses	1	1	—	1	1	1
Current portion of bonds payable	—	—	—	—	—	—
Total current liabilities	136	128	3	564	493	384
Noncurrent liabilities:						
Bonds payable, net	30,504	30,730	—	25,773	30,827	30,832
Accrued arbitrage rebate	—	—	53	—	—	—
Total noncurrent liabilities	30,504	30,730	53	25,773	30,827	30,832
Total liabilities	30,640	30,858	56	26,337	31,320	31,216
Net assets restricted for debt service	1,056	314	(3)	363	39	835
Total liabilities and net assets	$ 31,696	31,172	53	26,700	31,359	32,051

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Balance Sheets

		Single Family Mortgage Programs			
Assets		**2004 Series D**	**2004 1 & 2 Draw Down**	**2004 Short Term Issue**	**Total Single Family Mortgage Programs**
Current assets:					
Restricted cash and cash equivalents	$	—	61,754	176,269	238,023
Accrued interest receivable		122	—	—	4,816
Other current assets		—	—	—	14
Inter-entity receivable (payable)		—	—	—	(376)
Total current assets		122	61,754	176,269	242,477
Noncurrent assets:					
Restricted cash and cash equivalents		30,854	30,008	13	155,896
Restricted investments and reserve funds, net		—	—	—	8,025
Restricted securitized morgtage loans, net:					
Securitized mortgage loans, net (cost)		5,810	—	—	762,969
Unrealized gain (loss) on securitized mortgage loans		69	—	—	18,562
Securitized mortgage loans, net		5,879	—	—	781,531
Restricted mortgage loans, net		—	—	—	2,021
Bond issuance costs, net		338	—	—	9,158
Other real estate owned, net		—	—	—	22
Total noncurrent assets		37,071	30,008	13	956,653
Total assets	$	37,193	91,762	176,282	1,199,130
Liabilities and Net Assets					
Current liabilities:					
Accrued interest payable	$	239	—	—	7,836
Accounts payable and other accrued expenses		—	1	—	31
Current portion of bonds payable		—	61,754	176,269	238,023
Total current liabilities		239	61,755	176,269	245,890
Noncurrent liabilities:					
Bonds payable, net		36,037	30,000	—	901,817
Accrued arbitrage rebate		—	2	—	464
Total noncurrent liabilities		36,037	30,002	—	902,281
Total liabilities		36,276	91,757	176,269	1,148,171
Net assets restricted for debt service		917	5	13	50,959
Total liabilities and net assets	$	37,193	91,762	176,282	1,199,130

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Note 17

	Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets	**1985 Series A, B 1987 Series A, B, C**	**1988 Series A**	**1988 Series B**	**1994 Series A**	**1994 Series B**	**1994 Series C**
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	$ 211	44	55	169	161	175
Interest on securities and temporary investments	857	28	17	34	28	23
Loss on sale of assets	(17)	—	—	—	—	—
Net increase (decrease) in fair value of investments	—	—	—	(62)	(50)	(37)
Loan and commitment fees	—	8	5	—	—	—
Administrative fees and other	(18)	—	—	(4)	(4)	(4)
Total operating revenues	1,033	80	77	137	135	157
Operating expenses:						
Interest	563	21	15	205	185	190
Amortization of bond issuance costs	70	7	4	22	24	19
Administrative fees and other	56	3	3	1	1	1
Total operating expenses	689	31	22	228	210	210
Operating income (loss)	344	49	55	(91)	(75)	(53)
Other financing sources (uses) – operating transfers	(4,988)	(1,728)	(2,047)	—	—	—
Change in net assets	(4,644)	(1,679)	(1,992)	(91)	(75)	(53)
Total net assets - beginning	8,103	1,679	1,992	472	361	368
Total net assets - ending	$ 3,459	—	—	381	286	315
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	$ 1,335	176	84	1,182	1,007	844
Noncapital financing activities	(6,821)	(610)	(437)	(1,696)	(1,614)	(1,482)
Investing activities	2,828	127	74	37	31	26
Net increase (decrease)	(2,658)	(307)	(279)	(477)	(576)	(612)
Beginning cash and cash equivalents	2,972	307	279	799	965	868
Ending cash and cash equivalents	$ 314	—	—	322	389	256

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Note 17

	Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets	**1994 Series D**	**1994 Series E**	**1994 Series F**	**1994 Series G**	**1994 Series H**	**1995 Series A**
Operating revenues:						
Interest on mortgage loans and securitized mortgage loans	$ 163	245	245	245	306	414
Interest on securities and temporary investments	32	41	57	85	82	119
Loss on sale of assets	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	(64)	(53)	(87)	(118)	(109)	(224)
Loan and commitment fees	—	—	—	—	—	17
Administrative fees and other	(5)	(10)	(7)	(7)	(14)	(18)
Total operating revenues	126	223	208	205	265	308
Operating expenses:						
Interest	209	281	261	278	337	471
Amortization of bond issuance costs	23	29	20	27	45	54
Administrative fees and other	1	1	—	—	1	1
Total operating expenses	233	311	281	305	383	526
Operating income (loss)	(107)	(88)	(73)	(100)	(118)	(218)
Other financing sources (uses) – operating transfers	—	—	—	—	—	—
Change in net assets	(107)	(88)	(73)	(100)	(118)	(218)
Total net assets - beginning	296	483	848	971	921	1,398
Total net assets - ending	$ 189	395	775	871	803	1,180
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	$ 1,279	1,383	1,860	2,211	2,164	3,865
Noncapital financing activities	(1,679)	(2,178)	(2,258)	(3,332)	(3,513)	(4,901)
Investing activities	33	50	59	96	92	129
Net increase (decrease)	(367)	(745)	(339)	(1,025)	(1,257)	(907)
Beginning cash and cash equivalents	842	1,383	1,156	1,739	2,111	2,397
Ending cash and cash equivalents	$ 475	638	817	714	854	1,490

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1995 Series B**	**1995 Series C**	**1995 Series D**	**1995 Series E**	**1995 Series F**	**1995 Series G**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	157	568	362	511	720	640
Interest on securities and temporary investments		18	96	100	132	164	115
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(14)	(121)	(191)	(222)	(161)	(145)
Loan and commitment fees		—	27	34	44	43	41
Administrative fees and other		(6)	(29)	(16)	(19)	(36)	(39)
Total operating revenues		155	541	289	446	730	612
Operating expenses:							
Interest		158	602	421	599	819	727
Amortization of bond issuance costs		—	43	47	54	78	52
Administrative fees and other		—	1	1	1	2	2
Total operating expenses		158	646	469	654	899	781
Operating income (loss)		(3)	(105)	(180)	(208)	(169)	(169)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(3)	(105)	(180)	(208)	(169)	(169)
Total net assets - beginning		137	1,244	1,057	1,274	1,739	824
Total net assets - ending	$	134	1,139	877	1,066	1,570	655
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	507	3,246	2,961	3,806	4,654	3,499
Noncapital financing activities		(973)	(4,312)	(4,347)	(5,530)	(6,580)	(4,996)
Investing activities		19	106	111	148	179	125
Net increase (decrease)		(447)	(960)	(1,275)	(1,576)	(1,747)	(1,372)
Beginning cash and cash equivalents		628	2,611	2,319	3,167	3,123	2,954
Ending cash and cash equivalents	$	181	1,651	1,044	1,591	1,376	1,582

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1995 Series H**	**1996 Series C**	**1996 Series D**	**1996 Series E**	**1996 Series G**	**1997 Series A**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	492	548	501	593	638	499
Interest on securities and temporary investments		101	151	129	150	141	120
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(112)	(267)	(226)	(242)	(226)	(192)
Loan and commitment fees		36	54	43	49	49	44
Administrative fees and other		(27)	(30)	(27)	(31)	(35)	(27)
Total operating revenues		490	456	420	519	567	444
Operating expenses:							
Interest		566	638	557	645	701	566
Amortization of bond issuance costs		60	68	55	64	63	55
Administrative fees and other		1	2	1	2	2	1
Total operating expenses		627	708	613	711	766	622
Operating income (loss)		(137)	(252)	(193)	(192)	(199)	(178)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(137)	(252)	(193)	(192)	(199)	(178)
Total net assets - beginning		989	1,384	1,238	1,504	1,172	885
Total net assets - ending	$	852	1,132	1,045	1,312	973	707
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	3,105	4,555	3,837	4,151	4,113	3,425
Noncapital financing activities		(4,398)	(6,662)	(5,873)	(6,947)	(6,641)	(5,750)
Investing activities		121	169	146	171	165	138
Net increase (decrease)		(1,172)	(1,938)	(1,890)	(2,625)	(2,363)	(2,187)
Beginning cash and cash equivalents		2,208	3,335	3,172	3,861	4,108	3,600
Ending cash and cash equivalents	$	1,036	1,397	1,282	1,236	1,745	1,413

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		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1997 Series B**	**1997 Series C**	**1997 Series E**	**1997 Series F**	**1997 Series G**	**1998 Series A**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	516	588	681	881	1,001	1,084
Interest on securities and temporary investments		125	159	147	167	123	108
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(159)	(249)	(148)	(169)	(201)	(152)
Loan and commitment fees		41	51	54	60	53	50
Administrative fees and other		(20)	(31)	(38)	(50)	(59)	(67)
Total operating revenues		503	518	696	889	917	1,023
Operating expenses:							
Interest		575	679	767	983	1,059	1,033
Amortization of bond issuance costs		54	67	64	78	63	61
Administrative fees and other		2	2	2	2	3	2
Total operating expenses		631	748	833	1,063	1,125	1,096
Operating income (loss)		(128)	(230)	(137)	(174)	(208)	(73)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(128)	(230)	(137)	(174)	(208)	(73)
Total net assets - beginning		1,079	1,171	1,034	1,150	1,120	1,293
Total net assets - ending	$	951	941	897	976	912	1,220
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	2,887	4,417	4,264	5,382	5,093	4,600
Noncapital financing activities		(5,597)	(6,720)	(7,083)	(8,323)	(6,720)	(5,761)
Investing activities		158	177	175	196	135	114
Net increase (decrease)		(2,552)	(2,126)	(2,644)	(2,745)	(1,492)	(1,047)
Beginning cash and cash equivalents		3,417	4,124	4,264	4,248	3,887	2,850
Ending cash and cash equivalents	$	865	1,998	1,620	1,503	2,395	1,803

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1998 Series B**	**1998 Series C**	**1998 Series D**	**1998 Series E**	**1999 Series A**	**1999 Series B**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	912	938	1,000	1,042	958	1,246
Interest on securities and temporary investments		154	146	136	137	95	162
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(206)	(138)	(156)	(132)	(121)	(134)
Loan and commitment fees		74	51	59	56	36	63
Administrative fees and other		(57)	(60)	(61)	(65)	(64)	(80)
Total operating revenues		877	937	978	1,038	904	1,257
Operating expenses:							
Interest		947	964	1,038	1,073	951	1,300
Amortization of bond issuance costs		73	63	65	65	43	71
Administrative fees and other		2	2	3	3	3	4
Total operating expenses		1,022	1,029	1,106	1,141	997	1,375
Operating income (loss)		(145)	(92)	(128)	(103)	(93)	(118)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(145)	(92)	(128)	(103)	(93)	(118)
Total net assets - beginning		1,160	988	1,120	1,106	1,094	1,228
Total net assets - ending	$	1,015	896	992	1,003	1,001	1,110
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	6,299	5,694	5,800	5,589	3,842	5,947
Noncapital financing activities		(6,965)	(6,376)	(6,831)	(6,674)	(4,627)	(7,858)
Investing activities		152	141	134	134	97	166
Net increase (decrease)		(514)	(541)	(897)	(951)	(688)	(1,745)
Beginning cash and cash equivalents		3,315	2,977	3,334	3,787	1,789	2,928
Ending cash and cash equivalents	$	2,801	2,436	2,437	2,836	1,101	1,183

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1999 Series C**	**1999 Series D**	**1999 Series E**	**1999 Series F**	**2000 Series A**	**2000 Series B**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	159	793	1,059	700	612	670
Interest on securities and temporary investments		13	259	254	202	246	220
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(22)	(117)	(198)	(158)	(144)	(83)
Loan and commitment fees		4	84	96	83	82	85
Administrative fees and other		(10)	(58)	(71)	(51)	(43)	(46)
Total operating revenues		144	961	1,140	776	753	846
Operating expenses:							
Interest		155	963	1,265	899	781	829
Amortization of bond issuance costs		8	96	110	106	101	93
Administrative fees and other		1	3	4	2	2	2
Total operating expenses		164	1,062	1,379	1,007	884	924
Operating income (loss)		(20)	(101)	(239)	(231)	(131)	(78)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(20)	(101)	(239)	(231)	(131)	(78)
Total net assets - beginning		180	1,205	1,297	897	959	904
Total net assets - ending	$	160	1,104	1,058	666	828	826
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	571	7,961	8,894	7,339	5,800	5,438
Noncapital financing activities		(531)	(10,223)	(11,864)	(9,909)	(9,673)	(8,710)
Investing activities		13	266	263	210	261	234
Net increase (decrease)		53	(1,996)	(2,707)	(2,360)	(3,612)	(3,038)
Beginning cash and cash equivalents		278	3,542	4,327	3,929	4,819	3,688
Ending cash and cash equivalents	$	331	1,546	1,620	1,569	1,207	650

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Note 17

Statements of Revenues, Expenses, and Changes in Net Assets		Single Family Mortgage Programs 2000 Series C	2000 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	605	842	966	51	969	886
Interest on securities and temporary investments		211	239	246	2	185	226
Loss on sale of assets		—	—	—	(44)	—	—
Net increase (decrease) in fair value of investments		(162)	(138)	(114)	—	(102)	(127)
Loan and commitment fees		79	102	120	—	95	108
Administrative fees and other		(41)	(57)	(65)	—	(38)	(64)
Total operating revenues		692	988	1,153	9	1,109	1,029
Operating expenses:							
Interest		783	1,062	1,156	41	1,096	1,040
Amortization of bond issuance costs		79	100	114	8	88	103
Administrative fees and other		2	3	3	3	3	3
Total operating expenses		864	1,165	1,273	52	1,187	1,146
Operating income (loss)		(172)	(177)	(120)	(43)	(78)	(117)
Other financing sources (uses) – operating transfers		—	—	—	—	—	—
Change in net assets		(172)	(177)	(120)	(43)	(78)	(117)
Total net assets - beginning		773	952	1,124	422	1,028	845
Total net assets - ending	$	601	775	1,004	379	950	728

Condensed Statement of Cash Flows		2000 Series C	2000 Series D	2000 Series E	2000 Second Mortgage Series F	2001 Series A and Issue 1	2001 Series B
Net cash provided (used) by:							
Operating activities	$	6,064	6,941	7,146	230	6,958	7,635
Noncapital financing activities		(8,087)	(9,810)	(11,063)	(187)	(8,537)	(9,857)
Investing activities		219	251	262	(42)	187	233
Net increase (decrease)		(1,804)	(2,618)	(3,655)	1	(1,392)	(1,989)
Beginning cash and cash equivalents		3,274	3,988	4,462	224	2,819	3,856
Ending cash and cash equivalents	$	1,470	1,370	807	225	1,427	1,867

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2001 Series C**	**2001 Series D**	**2002 Series A**	**2002 Series B**	**2002 Series C**	**2002 Series D**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	959	860	994	1,085	1,154	1,048
Interest on securities and temporary investments		186	147	247	206	144	171
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(109)	(92)	(140)	(129)	(108)	(166)
Loan and commitment fees		95	83	110	108	73	85
Administrative fees and other		(66)	(24)	(44)	(62)	(54)	(43)
Total operating revenues		1,065	974	1,167	1,208	1,209	1,095
Operating expenses:							
Interest		1,064	936	1,160	1,221	1,209	1,141
Amortization of bond issuance costs		93	78	109	108	72	90
Administrative fees and other		2	3	5	5	4	4
Total operating expenses		1,159	1,017	1,274	1,334	1,285	1,235
Operating income (loss)		(94)	(43)	(107)	(126)	(76)	(140)
Other financing sources (uses) – operating transfers		—	—	(412)	(392)	—	—
Change in net assets		(94)	(43)	(519)	(518)	(76)	(140)
Total net assets - beginning		871	503	1,351	1,203	1,161	1,074
Total net assets - ending	$	777	460	832	685	1,085	934

Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	7,098	5,125	7,543	7,911	6,861	7,021
Noncapital financing activities		(8,619)	(7,181)	(10,054)	(10,207)	(6,774)	(8,217)
Investing activities		192	151	254	216	142	172
Net increase (decrease)		(1,329)	(1,905)	(2,257)	(2,080)	229	(1,024)
Beginning cash and cash equivalents		2,829	3,115	4,369	3,345	2,313	2,889
Ending cash and cash equivalents	$	1,500	1,210	2,112	1,265	2,542	1,865

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2002 Series E**	**2002 Series F**	**2002 1 & 2 Draw Down**	**2003 Series A**	**2003 Series B**	**2003 Series C**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	1,084	1,175	—	1,171	1,127	996
Interest on securities and temporary investments		110	82	239	45	10	80
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		(118)	(93)	—	(167)	(214)	(892)
Loan and commitment fees		57	52	—	28	19	19
Administrative fees and other		(17)	(22)	—	6	37	28
Total operating revenues		1,116	1,194	239	1,083	979	231
Operating expenses:							
Interest		1,119	1,149	236	1,130	1,160	1,130
Amortization of bond issuance costs		56	47	—	24	23	22
Administrative fees and other		2	3	4	2	1	1
Total operating expenses		1,177	1,199	240	1,156	1,184	1,153
Operating income (loss)		(61)	(5)	(1)	(73)	(205)	(922)
Other financing sources (uses) – operating transfers		(18)	(6)	3	(69)	(130)	(338)
Change in net assets		(79)	(11)	2	(142)	(335)	(1,260)
Total net assets - beginning		947	756	(2)	431	504	727
Total net assets - ending	$	868	745	—	289	169	(533)

Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	5,574	4,557	(2)	(782)	(6,565)	(24,616)
Noncapital financing activities		(5,178)	(4,317)	(60,718)	(2,258)	(2,182)	(1,817)
Investing activities		110	80	237	50	29	132
Net increase (decrease)		506	320	(60,483)	(2,990)	(8,718)	(26,301)
Beginning cash and cash equivalents		1,836	1,411	60,483	4,231	9,865	27,425
Ending cash and cash equivalents	$	2,342	1,731	—	1,241	1,147	1,124

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Note 17

		Single Family Mortgage Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**2003 Series D**	**2003 Series E**	**2003 1 & 2 Draw Down**	**2004 Series A**	**2004 Series B**	**2004 Series C**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	$	1,229	839	—	446	280	117
Interest on securities and temporary investments		132	126	2,274	68	94	102
Loss on sale of assets		—	—	—	—	—	—
Net increase (decrease) in fair value of investments		354	(225)	—	(365)	(676)	160
Loan and commitment fees		18	13	—	5	4	3
Administrative fees and other		1	(3)	—	—	—	—
Total operating revenues		1,734	750	2,274	154	(298)	382
Operating expenses:							
Interest		1,387	1,061	2,274	547	479	376
Amortization of bond issuance costs		20	15	41	7	5	4
Administrative fees and other		1	1	3	1	1	—
Total operating expenses		1,408	1,077	2,318	555	485	380
Operating income (loss)		326	(327)	(44)	(401)	(783)	2
Other financing sources (uses) – operating transfers		(254)	641	14	764	822	833
Change in net assets		72	314	(30)	363	39	835
Total net assets - beginning		984	—	27	—	—	—
Total net assets - ending	$	1,056	314	(3)	363	39	835
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	(28,102)	(27,666)	14	(23,362)	(26,441)	(22,570)
Noncapital financing activities		(1,739)	29,450	(42,027)	25,491	30,544	30,543
Investing activities		135	122	2,326	—	—	—
Net increase (decrease)		(29,706)	1,906	(39,687)	2,129	4,103	7,973
Beginning cash and cash equivalents		31,614	—	39,740	—	—	—
Ending cash and cash equivalents	$	1,908	1,906	53	2,129	4,103	7,973

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Note 17

		Single Family Mortgage Programs			
Statements of Revenues, Expenses, and Changes in Net Assets		**2004 Series D**	**2004 1 & 2 Draw Down**	**2004 Short Term Issue**	**Total Single Family Mortgage Programs**
Operating revenues:					
Interest on mortgage loans and securitized mortgage loans	$	3	—	—	42,388
Interest on securities and temporary investments		114	310	235	11,904
Loss on sale of assets		—	—	—	(61)
Net increase (decrease) in fair value of investments		69	—	—	(9,164)
Loan and commitment fees		2	—	—	2,854
Administrative fees and other		—	—	—	(1,872)
Total operating revenues		188	310	235	46,049
Operating expenses:					
Interest		235	311	235	51,014
Amortization of bond issuance costs		2	20	14	3,606
Administrative fees and other		—	1	—	190
Total operating expenses		237	332	249	54,810
Operating income (loss)		(49)	(22)	(14)	(8,761)
Other financing sources (uses) – operating transfers		966	27	27	(6,285)
Change in net assets		917	5	13	(15,046)
Total net assets - beginning		—	—	—	66,005
Total net assets - ending	$	917	5	13	50,959

Condensed Statement of Cash Flows					
Net cash provided (used) by:					
Operating activities	$	(4,847)	27	27	76,845
Noncapital financing activities		35,701	91,423	176,020	(23,632)
Investing activities		—	312	235	14,211
Net increase (decrease)		30,854	91,762	176,282	67,424
Beginning cash and cash equivalents		—	—	—	326,495
Ending cash and cash equivalents	$	30,854	91,762	176,282	393,919

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Note 17

Balance Sheets

		Rental Housing Programs					
		1987 Series A, B	1993 Series A, B, C	1997 Series B	1998 Series A, B	2001 Series A, B, C, D	2001 Series E
Assets							
Current assets:							
Restricted cash and cash equivalents	$	—	—	85	160	—	95
Accrued interest receivable		1	—	19	1	85	2
Inter-entity receivable (payable)		(1)	—	(1)	(4)	(12)	(6)
Total current assets		—	—	103	157	73	91
Noncurrent assets:							
Restricted cash and cash equivalents		—	—	19	13	305	216
Note receivable		9,900	—	—	—	—	—
Securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		—	—	3,935	—	—	—
Unrealized gain (loss) securitized mortgage loans		—	—	1	—	—	—
Total securitized mortgage loans, net		—	—	3,936	—	—	—
Mortgage loans, net		—	—	—	9,015	19,015	9,970
Bond issuance costs, net		—	—	—	—	—	—
Total noncurrent assets		9,900	—	3,955	9,028	19,320	10,186
Total assets	$	9,900	—	4,058	9,185	19,393	10,277
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	—	—	54	120	237	207
Accounts payable and other accrued expenses		—	—	—	7	5	29
Current portion of bonds payable		—	—	85	160	—	95
Total current liabilities		—	—	139	287	242	331
Noncurrent liabilities:							
Bonds payable, net		9,900	—	3,835	8,895	19,015	9,905
Accrued arbitrage rebate		—	—	25	1	—	—
Total noncurrent liabilities		9,900	—	3,860	8,896	19,015	9,905
Total liabilities		9,900	—	3,999	9,183	19,257	10,236
Net assets restricted for debt service		—	—	59	2	136	41
Total liabilities and net assets	$	9,900	—	4,058	9,185	19,393	10,277

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Note 17

Balance Sheets

		Rental Housing Programs					
		1995 Series A	1997 Series A	2002 Series A, B	2003 Series A&B	2003 Series C	2004 Series A, B
Assets							
Current assets:							
Restricted cash and cash equivalents	$	1	1	90	95	—	185
Accrued interest receivable		13	14	52	43	—	51
Inter-entity receivable (payable)		—	—	—	—	—	—
Total current assets		14	15	142	138	—	236
Noncurrent assets:							
Restricted cash and cash equivalents		—	—	477	291	—	284
Note receivable		—	—	—	—	—	—
Securitized morgtage loans, net:							
Securitized mortgage loans, net (cost)		—	—	—	—	—	—
Unrealized gain (loss) securitized mortgage loans		—	—	—	—	—	—
Total securitized mortgage loans, net		—	—	—	—	—	—
Mortgage loans, net		3,804	3,282	9,419	9,035	—	9,914
Bond issuance costs, net		—	—	215	93	—	257
Total noncurrent assets		3,804	3,282	10,111	9,419	—	10,455
Total assets	$	3,818	3,297	10,253	9,557	—	10,691
Liabilities and Net Assets							
Current liabilities:							
Accrued interest payable	$	13	12	148	41	—	43
Accounts payable and other accrued expenses		1	1	1	1	—	1
Current portion of bonds payable		40	42	90	95	—	185
Total current liabilities		54	55	239	137	—	229
Noncurrent liabilities:							
Bonds payable, net		3,824	3,323	10,204	9,465	—	10,185
Accrued arbitrage rebate		—	—	—	—	—	—
Total noncurrent liabilities		3,824	3,323	10,204	9,465	—	10,185
Total liabilities		3,878	3,378	10,443	9,602	—	10,414
Net assets restricted for debt service		(60)	(81)	(190)	(45)	—	277
Total liabilities and net assets	$	3,818	3,297	10,253	9,557	—	10,691

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Note 17

Balance Sheets

		Rental Housing Programs	
Assets		**2004 Series C,D**	**Total Rental Housing Programs**
Current assets:			
Restricted cash and cash equivalents	$	115	827
Accrued interest receivable		61	342
Inter-entity receivable (payable)		—	(24)
Total current assets		176	1,145
Noncurrent assets:			
Restricted cash and cash equivalents		454	2,059
Note receivable		—	9,900
Securitized morgtage loans, net:			
Securitized mortgage loans, net (cost)		—	3,935
Unrealized gain (loss) securitized mortgage loans		—	1
Total securitized mortgage loans, net		—	3,936
Mortgage loans, net		12,135	85,589
Bond issuance costs, net		97	662
Total noncurrent assets		12,686	102,146
Total assets	$	12,862	103,291
Liabilities and Net Assets			
Current liabilities:			
Accrued interest payable	$	117	992
Accounts payable and other accrued expenses		1	47
Current portion of bonds payable		115	907
Total current liabilities		233	1,946
Noncurrent liabilities:			
Bonds payable, net		12,645	101,196
Accrued arbitrage rebate		—	26
Total noncurrent liabilities		12,645	101,222
Total liabilities		12,878	103,168
Net assets restricted for debt service		(16)	123
Total liabilities and net assets	$	12,862	103,291

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Note 17

Statements of Revenues, Expenses, and Changes in Net Assets		Rental Housing Programs 1987 Series A, B	1993 Series A, B, C	1997 Series B	1998 Series A, B	2001 Series A, B, C, D	2001 Series E
Operating revenues:							
Interest on mortgage loans and securitized mortgage loan	$	759	211	229	483	1,096	593
Interest on securities and temporary investment:		—	5	6	—	2	—
Net increase (decrease) in fair value of investment:		—	(62)	4	—	—	—
Loan and commitment fees		—	—	—	—	—	—
Administrative fees and other		(12)	(6)	(6)	38	(47)	5
Total operating revenues		747	148	233	521	1,051	598
Operating expenses:							
Interest expense		720	160	220	484	952	594
Amortization of bond issuance costs		—	117	—	—	—	—
Provision (recovery) for loan losses		—	—	—	—	—	—
Administrative fees and other		27	43	2	37	94	4
Total operating expenses		747	320	222	521	1,046	598
Operating income (loss)		—	(172)	11	—	5	—
Other financing sources (uses) – operating transfers		—	(95)	—	—	—	—
Change in net assets		—	(267)	11	—	5	—
Total net assets - beginning		—	267	48	2	131	41
Total net assets - ending	$	—	—	59	2	136	41
Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	718	3,385	277	637	956	448
Noncapital financing activities		(718)	(3,487)	(282)	(637)	(951)	(593)
Investing activities		—	6	6	—	2	—
Net increase (decrease)		—	(96)	1	—	7	(145)
Beginning cash and cash equivalents		—	96	103	173	298	456
Ending cash and cash equivalents	$	—	—	104	173	305	311

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Note 17

		Rental Housing Programs					
Statements of Revenues, Expenses, and Changes in Net Assets		**1995 Series A**	**1997 Series A**	**2002 Series A, B**	**2003 Series A, B**	**2003 Series C**	**2004 Series A, B**
Operating revenues:							
Interest on mortgage loans and securitized mortgage loan	$	234	236	575	490	—	231
Interest on securities and temporary investment:		—	—	19	15	28	12
Net increase (decrease) in fair value of investment:		—	—	—	—	—	—
Loan and commitment fees		—	2	8	8	—	1
Administrative fees and other		(10)	(8)	—	—	11	334
Total operating revenues		224	230	602	513	39	578
Operating expenses:							
Interest expense		215	218	575	497	38	222
Amortization of bond issuance costs		—	—	10	4	—	6
Provision (recovery) for loan losses		—	—	9	9	—	10
Administrative fees and other		12	11	1	3	—	1
Total operating expenses		227	229	595	513	38	239
Operating income (loss)		(3)	1	7	—	1	339
Other financing sources (uses) – operating transfers		2	2	—	—	(1)	(62)
Change in net assets		(1)	3	7	—	—	277
Total net assets - beginning		(59)	(84)	(197)	(45)	—	—
Total net assets - ending	$	(60)	(81)	(190)	(45)	—	277

Condensed Statement of Cash Flows							
Net cash provided (used) by:							
Operating activities	$	251	258	660	(501)	10	(9,465)
Noncapital financing activities		(251)	(258)	(681)	(638)	(38)	9,928
Investing activities		—	—	19	16	28	6
Net increase (decrease)		—	—	(2)	(1,123)	—	469
Beginning cash and cash equivalents		1	1	569	1,509	—	—
Ending cash and cash equivalents	$	1	1	567	386	—	469

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Note 17

Statements of Revenues, Expenses, and Changes in Net Assets		**Rental Housing Programs** 2004 Series C&D	**Rental Housing Programs** Total Rental Housing Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loan	$	117	5,254
Interest on securities and temporary investment:		4	91
Net increase (decrease) in fair value of investment:		—	(58)
Loan and commitment fees		1	20
Administrative fees and other		177	476
Total operating revenues		299	5,783
Operating expenses:			
Interest expense		117	5,012
Amortization of bond issuance costs		1	138
Provision (recovery) for loan losses		12	40
Administrative fees and other		—	235
Total operating expenses		130	5,425
Operating income (loss)		169	358
Other financing sources (uses) – operating transfers		(185)	(339)
Change in net assets		(16)	19
Total net assets - beginning		—	104
Total net assets - ending	$	(16)	123

Condensed Statement of Cash Flows

Net cash provided (used) by:			
Operating activities	$	(12,095)	(14,461)
Noncapital financing activities		12,663	14,057
Investing activities		1	84
Net increase (decrease)		569	(320)
Beginning cash and cash equivalents		—	3,206
Ending cash and cash equivalents	$	569	2,886

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, 2005

Federal grantor/program title	Federal CFDA number	Major program	Expenditures
U.S. Department of Agriculture			
Section 538 Rural Rental Housing Gauranteed Loans	10.438	*	$ 1,166,122
U.S. Department of Housing and Urban Development:			
Mortgage Insurance – Homes (FHA)	14.117		6,733,693
542(c) Risk Sharing Program	14.188	*	84,668,301
Multifamily Assisted Housing Reform and Affordability Act	14.197		16,703
Community Development Block Grant, Small Cities Program – Pass-Through from the City of Las Cruces	14.219		95,192
Emergency Shelter Grants Program	14.231		667,475
HOME Investment Partnership Program **	14.239		6,815,602
Housing Opportunities for Persons with AIDS	14.241		510,143
Rural Housing and Economic Development Program	14.250		276,410
Training and Technical Assistance	14.227		11,724
Section 8 Housing Choice Vouchers	14.871	*	22,188,442
Total U.S. Department of Housing and Urban Development			123,149,807
U.S. Department of Energy:			
Weatherization Assistance for Low-Income Persons	81.042	*	2,029,751
U.S. Department of Health and Human Services Pass-Through from the New Mexico Department of Human Services JPA 03-43:			
Low-Income Home Energy Assistance Program	93.568	*	1,140,717
Total federal awards			$ 126,320,275

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

** Includes pass-through from the city of Albuquerque of $12,120.

See accompanying notes to schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of New Mexico Mortgage Finance Authority (the Authority) and is presented on the accrual basis of accounting. The Authority's reporting entity is defined in note 1 to the Authority's financial statements. All federal financial assistance received from federal agencies, including amounts passed through from other governmental entities and disbursed by the Authority, is included on the Schedule in accordance with the requirements of 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, 2005 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, 2005, the Authority serviced $6,734,000 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 multi-family housing project loans. HUD and the Authority share in the risk of loss on the mortgage. HUD has assumed 75% to 90% of the risk in 33 loans. HUD's assumed risk approximated $104,901,000 at September 30, 2005. Of the 33 loans closed, the Authority funded 20 loans with outstanding principal of $95,267,000 at September 30, 2005. HUD's assumed risk of loss of $84,668,000 related to these 20 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, 2005, the loan had an outstanding principal of $1,296,000 of which the USDA assumed risk of loss of $1,166,000 is recorded in the accompanying Schedule.

(4) Relationship to Federal Financial Reports

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

(Continued)

(5) Subrecipients

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

Federal grants/program title	Federal CFDA number	Amount provided to subrecipients
U.S. Department of Housing and Urban Development:		
Multifamily Assisted Housing Reform and Affordability Act	14.197	$ 16,703
Community Block Grant, Small Cities Program – Pass-Through from the City of Las Cruces	14.219	95,192
Emergency Shelter Grants Program	14.231	642,519
HOME Investment Partnership Program *	14.239	6,223,421
Housing Opportunities for Persons with AIDS	14.241	493,386
Rural Housing and Economic Development Program	14.250	269,326
Section 8 Housing Choice Vouchers	14.871	21,094,071
Total U.S. Department of Housing and Urban Development		28,834,618
U.S. Department of Energy:		
Weatherization Assistance Program	81.042	1,862,878
U.S. Department of Health and Human Services:		
Low-Income Home Energy Assistance Program	93.568	1,064,705
Total federal assistance awarded to subrecipients		$ 31,762,201

* Includes pass-through from the city of Albuquerque of $12,120.

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Albuquerque, NM 87190

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

Authority Members
New Mexico Mortgage Finance Authority:

We have audited the financial statements of the business-type activities of the New Mexico Mortgage Finance Authority, a component unit of the state of New Mexico, (the Authority) as of and for the year ended September 30, 2005, which comprise the Authority's basic financial statements and have issued our report thereon dated November 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Office of the State Auditor   KPMG LLP

November 4, 2005

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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Authority Members
New Mexico Mortgage Finance Authority:

Compliance

We have audited the compliance of the New Mexico Mortgage Finance Authority, a component unit of the state of New Mexico, (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2005-1.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as Finding 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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

Office of the State Auditor KPMG LLP

November 4, 2005

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Summary Schedule of Prior Year Audit Findings

Fiscal year ended September 30, 2005

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Prior year item	Status
Finding 2004-1 – Submission of Required Reports	Repeated in current year finding 2005-1

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

Prior year item	Status
Finding 2004-2 – Physical Controls in Computer Facilities	Resolved
Finding 2004-3 – Environmental Controls in Computer Facilities	Resolved

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

• Material weaknesses identified?	______	Yes	X	No
• Reportable conditions 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
• Reportable conditions identified that are not considered to be material weaknesses?	X	Yes	______	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X	Yes	______	No

Identification of major programs:

Program name	CFDA number
Section 538 Rural Housing Gauranteed Loan Program	10.438
542 (c) Risk Sharing Program	14.188
Section 8 Housing Choice Vouchers Program	14.871
Weatherization Assistance for Low-Income Persons Program	81.042
Low- Income Home Energy Assistance Program	93.568

Dollar threshold used to distinguish between type A and type B programs $ 1,012,565

Auditee qualified as low-risk auditee?	______	Yes	X	No

Section II – Financial Statement Findings

No such findings were identified.

Section III – Federal Award Findings and Questioned Costs

Finding 2005-1 Submission of Required Reports

U.S. Department of Housing and Urban Development: Program 542(c) Risk Sharing (CFDA 14.188), fiscal award year-N/A.

Condition

The Authority is required to submit annual physical inspection summary reports to HUD in a timely manner in accordance with the provisions of Program 542(c) Risk Sharing. These reports summarize all findings and follow-up actions required of the borrower. The Authority does not have a formal review process in place to ensure these reports are reviewed by someone other than the preparer prior to submission. Additionally, it was noted that the Authority had not submitted an annual physical inspection summary report for one property inspected during the year out of four selected for review.

Criteria

The HUD Housing Handbook 4590.1 Housing Finance Agency Risk-Sharing Pilot Program, Chapter 8B, requires the Authority to perform annual physical inspections of projects and submit the inspection reports to the local HUD Field Office.

Cause

The Authority currently has an informal review process in place by which another Asset Management personnel will review the annual physical inspection summary reports prior to submission to HUD. However, there is no evidence of this review on the reports.

Effect

Without a formal review or monitoring process such as a tickler file, required reports may not be submitted to the appropriate funding agencies or may not be submitted within a timely manner.

Questioned cost

None

Recommendation

We recommend that the Authority should implement a formal review process whereas someone other than the preparer reviews and initials the reports indicating the review was performed. Additionally, the Authority should implement the use of a tickler file to ensure reports are submitted in a timely manner.

Authority Response

Management agrees. Effective November 2005 reports are being prepared and reviewed by different personnel, which is being documented on the report. A tickler system has been implemented to ensure reports are submitted timely to HUD. Evidence of submission is maintained in the file.

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

No such findings were identified.

Section V – Financial Statement Preparation, required disclosure under Audit Rule NMAC 2.2.2.8 K (4)

KPMG prepared the financial statements, in conformance with NMAC Subsection I 2.2.2.8 for management's review and approval. These circumstances do not constitute a finding. Maintenance of the Authority's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles.

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, 2005

The following information is presented only for public funds held by the Authority as of September 30, 2005.

	CUSIP	Rate	Maturity		
Bank of Albuquerque checking account				$	1,289,000
FDIC Insurance *					(32,000)
Uninsured public funds				$	1,257,000
50% collateral requirement				$	629,000
Collateral (at fair value)**:					
FNMA pooled security	31393DPV7	3.00%	8/25/17		1,292,000
FNMA pooled security	31392EBF6	5.25%	4/25/29		23,000
Total collateral (at fair value)				$	1,315,000
Over (under) collateral requirement				$	686,000

* Public funds are held in an account with other Authority funds and make up 32% of the account balance. The FDIC insurance of $32,000 represents the amount allocated to public funds.

**Bank of Albuquerque has pledged the above collateral which is being held in safekeeping by FHLB Dallas.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

(A Component Unit of the State of New Mexico)

Exit Conference

Fiscal year ended September 30, 2005

Financial Statement Preparation

The financial statements were prepared by the New Mexico Office of the State Auditor and KPMG LLP. The contents of the financial statements remain the responsibility of the Authority.

Exit Conference

An exit conference was conducted on December 5, 2005 in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority

Michael Sivage	Chair, Finance Committee
Jimmy Daskalos	Treasurer, Board of Directors
Katherine Miller	Executive Director
Linda Thomas	Deputy Director of Finance and Administration
Yvonne Segovia	Controller

KPMG

John Kennedy	Partner
Jennifer Hall	Manager

New Mexico State Auditor's Office

Domingo P. Martinez	State Auditor
JoAnn M. Chavez	Audit Director