

Department: Programs	Opportunity Enterprise Housing Development Revolving Loan Fund Policies	Original Effective Date: August 29, 2024
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		Review Schedule: Two Years



Opportunity Enterprise Housing Development Revolving Fund Loan Policies

These revised Opportunity Enterprise Housing Development Revolving Fund Loan Policies (“Housing Fund Loan Policies”) were adopted on February 26, 2026 by the Board of Directors of the New Mexico Finance Authority (“NMFA”), a public body politic and corporate, separate and apart from the State of New Mexico constituting a governmental instrumentality, created by the New Mexico Finance Authority Act, Section 6-21-1 et. seq., NMSA 1978.

I. PURPOSE

A. Purpose Statement

On March 9, 2022, Governor Michelle Lujan Grisham signed into law the Opportunity Enterprise Act (“Act”), NMSA 1978, Section 6-34-1, et seq., to provide enterprise assistance to advance economic development opportunities in the State. Effective May 15, 2024, the Act was amended to create the Housing Development Revolving Fund (“Housing Fund”) within the New Mexico Finance Authority (“NMFA”) and authorizes the NMFA to establish rules, administer the Housing Fund, and recover from the Housing Fund such costs of administering the Housing Fund and originating housing development assistance for workforce development housing projects and affordable housing infrastructure projects.

Pursuant to the Act, the Opportunity Enterprise and Housing Development Review Board (“OE Board”) shall coordinate to evaluate housing development partners and eligible housing development projects for suitability for housing development assistance. Pursuant to Rules adopted by the OE Board, the OE Board shall establish procedures to select and prioritize applications for housing assistance and recommend to the NMFA potential housing development projects for housing development assistance from the Housing Fund.

Pursuant to the Act, the NMFA Board adopted Rules approved by the NMFA Oversight Committee that govern the implementation and administration of housing development assistance in the form of loans for housing development projects as authorized by Section 6-34-13.2 of the Act. These Housing Development Revolving Fund Loan Policies (the “Policies”) provide additional guidance to potential housing development partners and NMFA staff regarding program objectives, general considerations, project eligibility, application requirements, loan structuring parameters and monitoring requirements, and do not apply to other programs established by the NMFA.

B. Implementation

These Policies shall be implemented by the NMFA Board, pursuant to the authority of the Act, as amended and supplemented from time to time, and may, at times, be waived or revised, if the NMFA Board determines a deviation or revision is appropriate. Any waiver of these Policies will be reflected in the minutes of the public meeting at which the waiver is to be considered, and any revisions will be reflected in a new documented version, dated as of the Board approval of the revisions. Any waiver or revision must not conflict with the provisions of the Act.

II. DEFINITIONS

A. “Act” means the Opportunity Enterprise and Housing Development Act, Sections 6-34-1 through 6-34-15, NMSA 1978, as may be amended and supplemented.

B. “Affordable Housing” means residential housing primarily for persons or households of low or moderate income as defined in a local housing plan or by programs managed by the MFA. Typically, Affordable Housing serves households with earnings falling in the range of 30-80% of Area Median Income (“AMI”).

C. “Affordable Housing Infrastructure Project” means infrastructure projects needed to support affordable housing.

D. “Applicant” means a housing development partner.

E. “Application” means a written document made publicly available by the NMFA and filed with the NMFA for the purpose of evaluating the Applicant’s qualifications and proposed housing development projects for housing development assistance, which may be provided by the NMFA under the Act and Rules, and which comply with the Policies.

F. “Below Market Housing” is determined by NMFA and includes reference to: i) local, by relevant jurisdiction (e.g., County), housing markets for comparable market rents and/or comparable single-family lots, and/or residential sales prices that include the lot and residence, relative to, ii) Housing and Urban Development (HUD) determined Area Median Income by relevant household size. (see link: [Opportunity Enterprise – Housing Development Program | New Mexico Finance Authority](#) to the NMFA website for table pertaining to market rental rates which will be updated annually as data is made available). NMFA can recommend exceptions to the Board on case-by-case basis.

G. “Below Market For Sale Housing” will be established by market comparables and by establishing “cost of ownership burden” for the proposed lots and/or residences, the determination of which will include principal, interest, taxes and insurance. Eligible purchasers or renters are defined as Middle Income Workers.

H. “Bylaws” means the amended and restated bylaws of the OE Board adopted on May 2, 2024, as may be further amended and supplemented from time to time.

I. “Chief Executive Officer” or “CEO” means the Chief Executive Officer of the NMFA.

J. “Credit Committee” means a committee of NMFA staff appointed by the CEO.

K. “Department” means the New Mexico Economic Development Department.

L. “Economic Development Committee” means a committee, appointed by the chair of the NMFA Board, from the members of the NMFA Board.

M. “For Sale Workforce Housing” means a Housing Development Project that includes lots released to home builders, units (duplexes and/or condominiums), and/or stand-alone single-family units which are for sale to middle income workers, as defined and are deemed to be Workforce Development Housing, also as defined herein. All For Sale Workforce Housing Projects must have in place a municipal development agreement defined subsequently herein.

N. “Housing Development Assistance” means a loan for workforce development housing projects or affordable housing infrastructure projects.

O. “Housing Development Committee” means a standing committee, appointed by the chairman of the OE Board from the members of the OE Board pursuant to the bylaws to review and vote upon proposed housing development projects to be recommended for review and underwriting for potential funding from the Housing Fund.

P. “Housing Development Loan” means a housing development loan from the Housing Fund provided by the NMFA pursuant to the Rules and these Policies adopted by the NMFA, as amended and supplemented from time to time.

Q. “Housing Development Partner” means a domestic corporation, a general partnership, a limited liability company, a limited partnership, a public benefit corporation, a nonprofit entity or any other private business entity or combination thereof that the authority determines is or will be engaged in a project that creates or expands housing within the state and is eligible for housing development assistance pursuant to the act.

R. “Housing Development Project” means an affordable housing infrastructure project or a workforce development housing project.

S. “Housing Fund” means the Housing Development Revolving Loan Fund created pursuant to Section 6-34-13.3 of the Act.

T. “Housing Development Revolving Fund Loan Policies” means these policies adopted by the NMFA Board governing the Housing Fund.

U. “Infrastructure” means direct and certain indirect costs funding improvements related to or enabling the development of housing, including, but not limited to: (i) sanitary sewage systems, including collection, transport, storage, treatment, dispersal, effluent use and

discharge; (ii) drainage and flood control systems, including collection, transport, diversion, storage, detention, retention, dispersal, use and discharge; (iii) water systems for domestic purposes, including production, collection, storage, treatment, transport, delivery, connection and dispersal; (iv) areas for motor vehicle use for road access, ingress, egress and parking; (v) trails and areas for pedestrian, equestrian, bicycle or other nonmotor vehicle use for access, ingress, egress and parking; (vi) parks, recreational facilities and open space areas to be used by residents for entertainment, assembly and recreation; (vii) landscaping, including earthworks, structures, plants, trees and related water delivery systems; (viii) electrical generation, transmission and distribution facilities, including renewable energy infrastructure; (ix) natural gas distribution facilities; (x) lighting systems; (xi) fiber or coaxial cable or other telecommunications lines and related equipment; and (xii) traffic control systems and devices, including signals, controls, markings and signs.

V. “Market Study” means a project description and analysis of geographic conditions, demographic trends, and competitive market conditions that will impact the success of the workforce development or affordable housing project, including rental absorption or sales estimates, as applicable, for the subject property. Market Studies must be dated within the last twelve (12) months and must meet the content parameters established by the MFA¹.

W. “MFA” means Housing New Mexico, also known as New Mexico Mortgage Finance Authority.

X. “Middle income workers” means families with incomes that fall between the lesser of a local jurisdiction’s upper limit for housing assistance by relevant housing type or by the New Mexico Mortgage Finance Authority’s upper limit for housing development assistance, and three hundred percent (300%) of the US Housing and Urban Development Area Median Income for the county.

Y. “Municipal Development Agreement” means a legally binding contract between a local government and a property owner or developer outlining specific terms and conditions for property development, serving as a framework for the entire process. These agreements are essential for coordinating various aspects of a development project, including land use, zoning, infrastructure, and public services. Key components include project description, responsibilities among various parties, duration, financial provisions (i.e., project costs, funding sources, and financial responsibilities, including taxes, fees, and contributions to public infrastructure), and zoning and land use.

Z. “NMFA” means the New Mexico Finance Authority.

AA. “Oversight Committee” means the joint interim legislative committee established pursuant to the New Mexico Finance Authority Act, Section 6-21-30, NMSA 1978, as amended and supplemented from time to time.

¹ Detailed information is available at:

https://www.nmfinance.com/wp-content/uploads/2025/01/2025_Market_Study_Parameters-revised.pdf

BB. “Rules” means the Rules governing housing development assistance under the Opportunity Enterprise and Housing Development Act as adopted by the NMFA Board of Directors and approved by the New Mexico Finance Authority Oversight Committee, as may be amended and supplemented.

CC. “Rural “ means any area not considered as Urban.

DD. “State” means the State of New Mexico.

EE. “Total Project Cost” means the total of all costs incurred or to be incurred by the Housing Development Partner in planning, designing, acquiring, constructing, renovating, rehabilitating, renting or selling, and financing a Housing Development Project, including predevelopment costs, Market Studies, or appraisals. Total Project Costs for Affordable Housing will be adjusted to exclude any non-Infrastructure related construction costs associated with Affordable Housing, and market rate housing and commercial space included in the project.

FF. “Urban” means a contiguously built-up area with a population of 60,000 or more. Urban areas may include one or more municipalities or census designated places.

GG. “Workforce Development Housing” means Below-Market Housing as defined and intended to address demand for workforce housing for middle income workers in proximity to employment centers as determined by policies of the OE Board.

HH. “Workforce Development Housing Project” means a residential real estate development project that involves the purchase, planning, designing, constructing, surveying, improving, operating, furnishing, equipping or maintaining of land, buildings or infrastructure that provides housing, including housing that provides the option of home ownership (i.e., “For Sale Workforce Housing”).

II. “Zoning Reforms” means policies, procedures and regulations implemented by political subdivisions intended to decrease the costs and timing of constructing affordable housing and workforce housing, including expedited permitting, high density zoning, and other criteria as determined by policies of the OE Board.

III. LOAN STRUCTURING PARAMETERS

A. Review of Market Study: The Market Study should have been completed within twelve (12) months of the Housing Development Project’s application and meet the content parameters of the MFA², including but not limited to:

- Scope of Work
- Project Description

² Detailed information is available at:

https://www.nmfinance.com/wp-content/uploads/2025/01/2025_Market_Study_Parameters-revised.pdf

- Location
- Market Area Definition
- Employment and Economy
- Demographic Characteristics
- Competitive Environment
- Affordability Analysis, Demand Analysis, Capture Rates and Penetration
- Local Perspective of Rental Housing Market and Housing Alternatives Analysis/Conclusions

B. Loan Amounts and Financing Type. Loan amounts are not to exceed \$15,000,000 per Housing Development Project and all Housing Development Loans will be classified as “hard debt” obligations and treated as must-pay debt, requiring full repayment according to the terms of the loan agreement.

C. Use of Proceeds and Deed Restrictions. Loan proceeds may be used to finance Infrastructure costs for Affordable Housing Infrastructure Projects and a portion of Total Project Costs for Workforce Development Housing Projects.

1. Loan proceeds for Affordable Housing Infrastructure Projects may be used for Total Project Costs related solely to the development and construction of Infrastructure for affordable housing.

Deed restrictions, including rental rates, will be determined for each Affordable Housing Infrastructure Project by NMFA in cooperation with MFA.

2. Loan proceeds for Workforce Development Housing Projects may be used for a portion of Total Project Costs related to the development and construction of Workforce Development Housing.

Deed restrictions, including, as applicable, rental rates and initial and subsequent purchase/sale prices of For Sale Workforce Housing, will be determined for each Workforce Development Housing Project by NMFA and will exist for the term of the loan with a minimum duration of ten (10) years

D. Project Timing. The Housing Development Project must be proceeding in good faith with the expectation of a loan closing within six (6) months, after receipt of board approval and an executed final term sheet accompanied by an Applicant transaction fee deposit in the amount of one percent (1%) of the Housing Development Assistance not to exceed fifty-thousand dollars (\$50,000). Such transaction fee deposit is to be applied as described in Section O, Fees and Costs. Any portion of such deposit that is not utilized as allowed will be reimbursed, unless the developer elects to extend the approval past the six (6) month expected time frame. In such cases, the fee deposit becomes non-refundable.

For those Affordable Housing Infrastructure Projects awaiting State Volume Cap approval, NMFA will adjust timing accordingly.

E. Limitation on Fees paid to Developers

1. Developer fees will be limited based on the fees' percentage of Total Project Costs for the following items:

a. Limit of fifteen percent (15%) of Total Project Costs for Affordable Housing Infrastructure Projects,

b. Limit of eight percent (8%) of Total Project Costs for Workforce Development Housing Projects; and

c. Limit of five (5%) for acquisition and rehabilitation only Housing Development Projects.

2. As an identified component of reimbursement request, developer fees will be disbursed through the project life cycle with no more than one third of the fees disbursed on the closing of all Housing Development Project Construction loans.

3. Developer fees, and the reimbursement of such fees, are at the commercially reasonable discretion of NMFA, generally defined as ninety percent (90%) occupied or stabilization of the project.

F. Maximum Loan Term.

1. Workforce Development Housing Project loans, for which loan proceeds fund for rent projects, will be structured with an interest-only period not to exceed three (3) years and a maximum loan term of twenty (20) years. NMFA will give consideration to a maximum term of thirty (30) years.

In those instances where there are federal funds involved in the Housing Development Project, the NMFA will extend consideration of matching the terms of such federal funds.

2. In For Sale Workforce Housing projects, NMFA will consider loan terms that reflect the project's phased build and sell profile consistent with the project's design and development plan. The expectation is that the loan will carry a maximum term of three (3) years and may never exceed the term of the Municipal Development Agreement.

a. The loan would be structured as a revolving loan providing for drawdowns limited to an agreed to maximum amount.

b. If the Applicant is only developing lots for release to home builders, pay downs occur upon the closing of the sale of lots. If the Applicant is contracting with home builders to build and sale residences, pay downs occur upon the closing of the sale of the lot and residences.

3. Infrastructure loans for Affordable Housing Infrastructure Projects will be structured with an interest-only period not to exceed three (3) years and a maximum loan term of thirty (30) years. Preference will be given to structure the maximum term at twenty (20) years:

In those instances where there are federal funds involved in the Housing Development Project, the NMFA will extend consideration of matching the terms of such federal funds.

G. Prepayment Penalty. There is no penalty or premium for full or partial prepayment of any Housing Development Loan balance.

H. Debt Service Coverage Requirement or Sale Transaction Gross Profit. For Housing Development Projects where residences are leased, NMFA requires a minimum debt service coverage ratio of 1.15xs of all must pay “hard debt” at the time of underwriting and as affirmed prior to closing.

In For Sale Workforce Housing projects, throughout the term of the loan, NMFA will require and monitor a covenant regarding a realized gross profit percentage and dollar amount per sales transaction (per lot, or per residence). The gross profit percentage is measured for each sale which gives rise to NMFA’s release of project lien. The agreed to gross profit per transaction, including a modest range of permitted variance, will be based on the Applicant’s detailed business plan and financial model which NMFA underwrites.

I. Interest Rates. Housing Development Loans will be structured with fixed interest rates set at four percent (4%) per annum. Any Rural Project or For Sale Workforce Housing Project shall be eligible for an interest rate of two percent (2%) per annum.

For Affordable Housing Infrastructure Projects where there are federal funds involved in the Housing Development Project, the NMFA will extend consideration of matching the rates of such federal funds.

J. Collateral; Loan-to-Value Requirement; Bonding. Loans must be secured by all legally acceptable collateral including but not limited to real property, and tangible and intangible personal property and related improvements.

Unless waived by the NMFA, the Applicant shall obtain insurance coverage on all property securing the Housing Development Assistance loan from commercially acceptable companies in such amounts and against such risks as are acceptable to NMFA.

NMFA reserves the right, exercised on a case-by-case basis, to require any Housing Development Loans and the related contractors to be secured by commercially acceptable third-party insurers or sureties who issue performance and payment coverage in such amounts and against such risks as are acceptable to NMFA. Such evaluations shall be made on the basis of project complexity, project amount, and likelihood that project infrastructure will be absorbed by a municipality.

Loans will be underwritten with loan-to-value ratios or loan-to-cost of up to eighty percent (80%). Applicants shall provide a current fair-market value appraisal (as appropriate), as acceptable by NMFA and prepared by an independent, qualified appraiser and paid for by the Applicant. NMFA requires all security interests in collateral to be perfected, including requiring appropriate pre- and post-closing lien searches that document the approved lien.

K. Lien Position. The NMFA's security interest in the real property shall be at the highest lien level attainable to accomplish a successful financing, provided that NMFA may only be subordinate to a loan made by a federally insured financial institution.

L. Equity Requirement. Applicants are required to contribute a minimum of ten percent (10%) of the Total Project Cost, in the form of owner contributions of cash and/or documented in-kind assets of verified value.

In Affordable Housing Infrastructure Projects, which include Low Income Housing Tax Credits, NMFA will consider the overall project equity in assessing the amount of required Applicant equity.

M. Personal and/or Corporate Guaranties. All loans will require personal and/or corporate guarantees including Joint and Several Guarantees from one or more of the following persons/entities:

- a partnership, partner, or member of the eligible Applicant,
- any shareholder of the eligible Applicant,
- a parent and/or controlling corporation or entity or a partner, member, or shareholder of the parent or controlling corporation or entity if the Eligible Applicant is a subsidiary.

N. Credit History. Eligible Applicants are required to authorize the NMFA to obtain credit reports on all owners and guarantors, both at the time of Application and yearly thereafter during the term of any Housing Development Loan.

O. Fees and Costs. Housing Development Partner shall pay all costs and expenses including but not limited to: i) all taxes and recording expenses, ii) title insurance premiums, iii) appraiser fees associated with NMFA's Housing Development Project appraisal, iv) environmental audit fees, v) insurance consulting fees, vi) fees due to brokers, and vii) all reasonable legal fees including, without limitation, NMFA's counsel's fees. Any portion of the applicant fee deposit amount (see III D. above) in excess of fees and costs will be refunded to Applicant.

P. Environmental Indemnity. Developer and guarantors to execute a certificate and indemnity regarding hazardous substances in favor of NMFA in a form satisfactory to NMFA.

IV. CLOSING CONDITIONS, MONITORING, AND REPORTING

A. Closing Conditions. Applicants will be subject to defined closing conditions as approved by the NMFA Board and conveyed in a term sheet.

B. Monitoring and Reporting. Throughout the loan term borrowers are required to submit the following detailed reporting packages, including but not limited to:

1. Quarterly financial statements during the construction phase, and semi-annual internally prepared financial statements post construction.
2. Annually, within one hundred twenty (120) days post year end, complete third-party accountant prepared reviewed or audited financial statements during the term of any Housing Development Loan.
3. Quarterly project and business performance during construction reporting including:
 - a. Brief narrative of project completion status.
 - b. Status of project budget and project timeline, relative to actual costs and project timelines.
 - c. Details of categorized expenditures relative to budgeted project expenditure categories.
4. Impact objectives including (presented at least annually):
 - a. total number of affordable housing units and workforce development housing units supported by the Housing Development Assistance.
 - b. Occupancy data and rent rolls, as applicable and semi-annually.
 - c. Job creation metrics at various stages of the Housing Development Project, to include, if available, third-party jobs during the Project's construction phase.
5. Quarterly certification that all representations, warranties and covenants contained in the various agreements related to the Housing Development Loan remain true and correct.
6. Quarterly certification that there has been no change in Applicant and/or Guarantor entity ownership, noting that any proposed change in control of the Applicant and/or entity Guarantor requires NMFA prior consent.
7. Quarterly certification that all Workforce Housing Project units have been leased at below market rates to middle-income workers.

The NMFA reserves the right to request additional information for monitoring purposes.

V. REFERENCES

- New Mexico Finance Authority Act, Section 6-21-1 *et seq.*, NMSA 1978
- Opportunity Enterprise and Housing Development Act, Section 6-34-1 *et seq.*, NMSA 1978
- Opportunity Enterprise and Housing Development Review Board Rules, Title 2, Chapter 93 (2.93.1 *et seq.*, NMAC)
- New Mexico Finance Authority Rules Governing Housing Development Assistance Under the Opportunity Enterprise and Housing Development Act