

Housing New Mexico MFA

U.S. Capital Markets Update: Where
We Are, Where We're Headed &
Why It Matters to Housing

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2025 New Mexico Housing Summit



US Capital Markets Update: Trends in Single Family Bond Financing

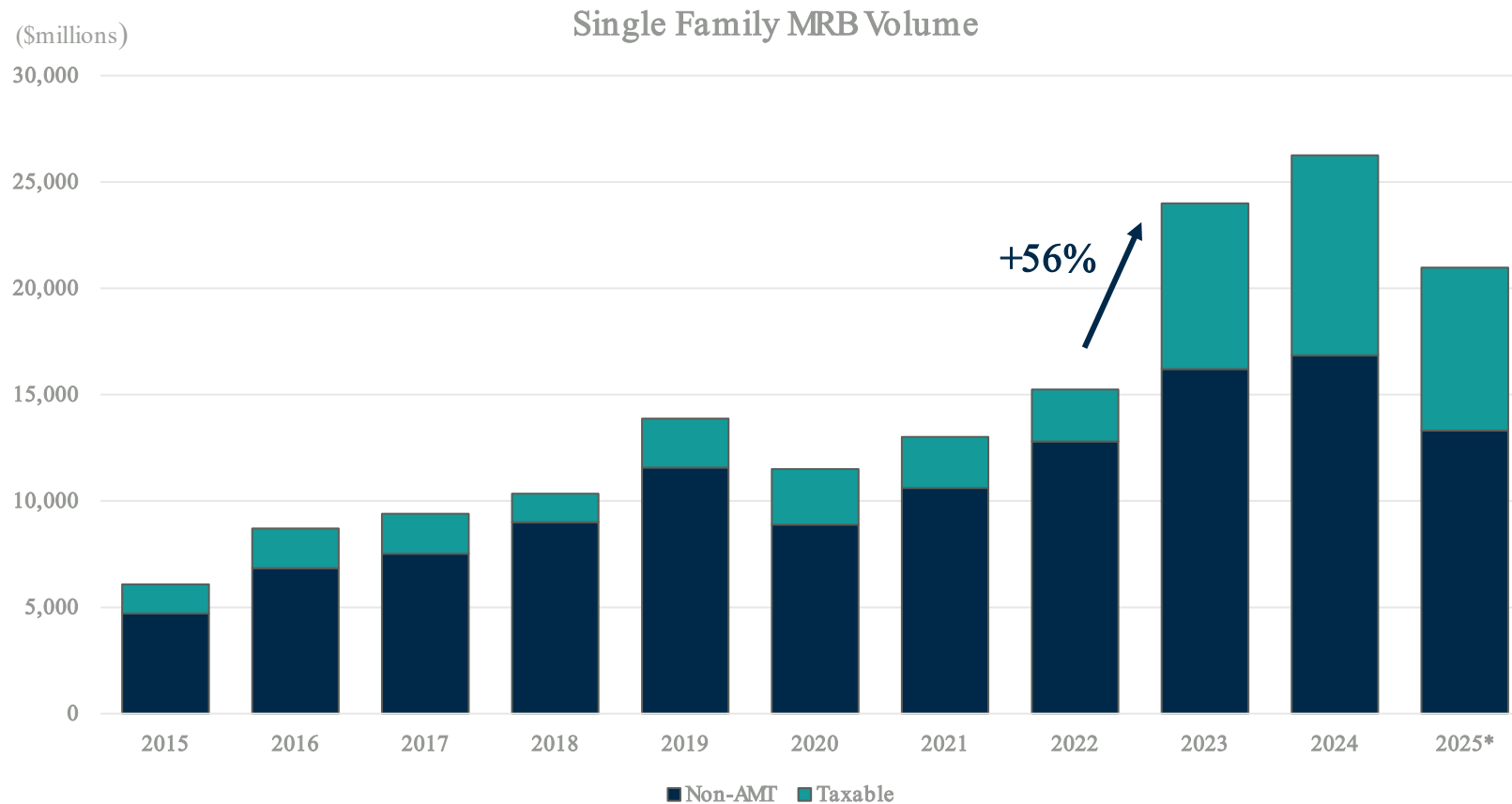
Misty Dalke, Director

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September 18, 2025

Growth of Single Family MRB Volume

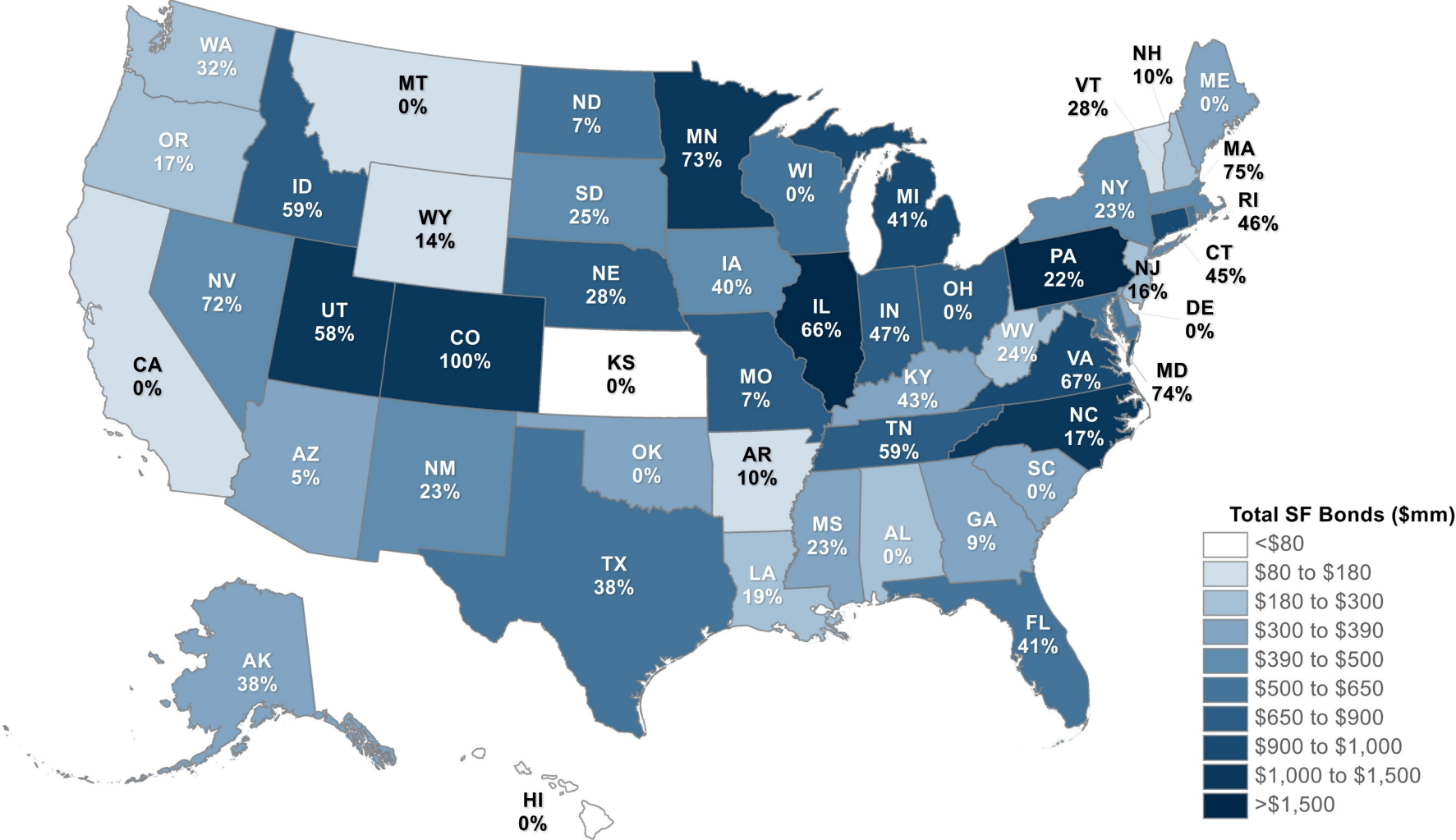
In the last 10 years, single family mortgage revenue bond volume has steadily increased. The biggest jump occurred from 2022 to 2023, coinciding with the sharp increase in interest rates as the Fed commenced its monetary tightening in March 2022.



2025 Transactions include issues through August 31, 2025
Source: LSEG (SDC)

\$26+bn in Single Family MRBs Issued in 2024*

Volume of total single family MRBs issued by state along with Taxable MRB %

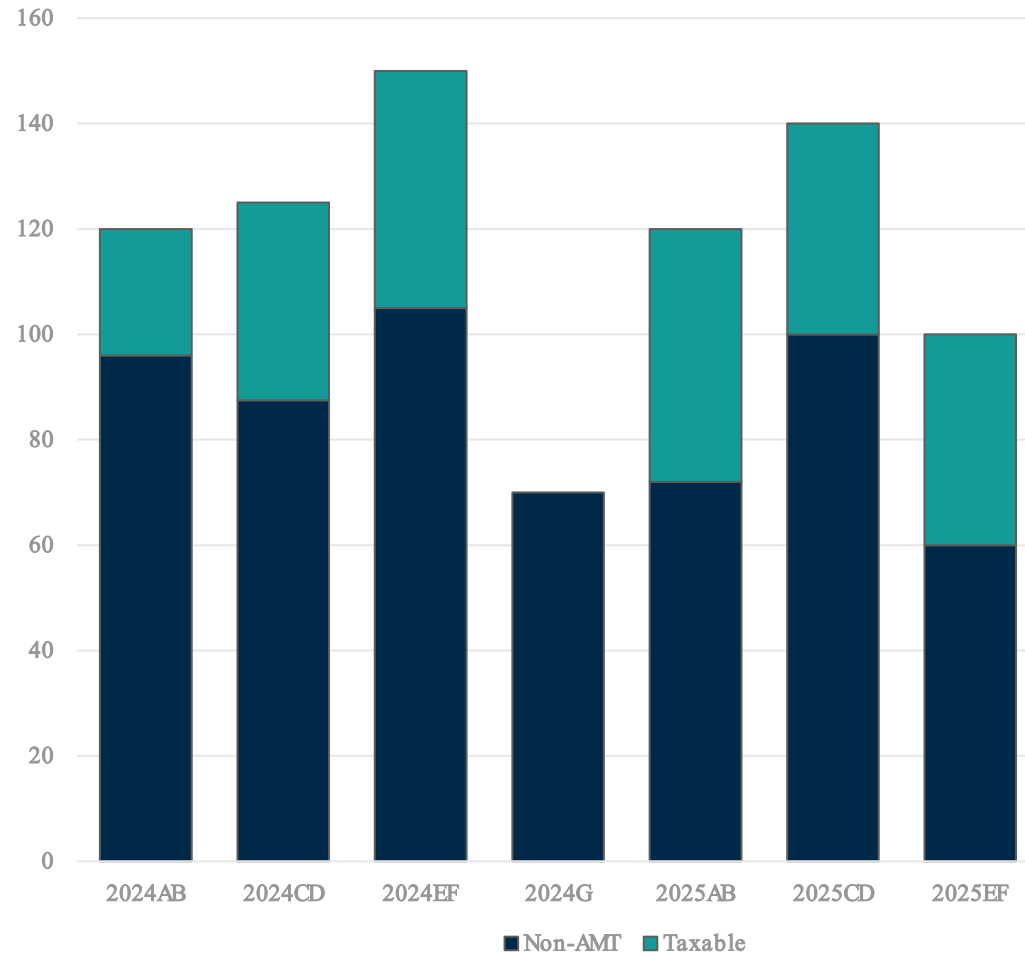


Source: LSEG(SDC)
*Total MRB volume includes both tax-exempt and taxable bonds

Recent Housing New Mexico Single Family MRB Transactions

Blended tax-exempt / taxable structures allows Housing New Mexico to extend lending against growing demand for volume cap and keep rates competitive.

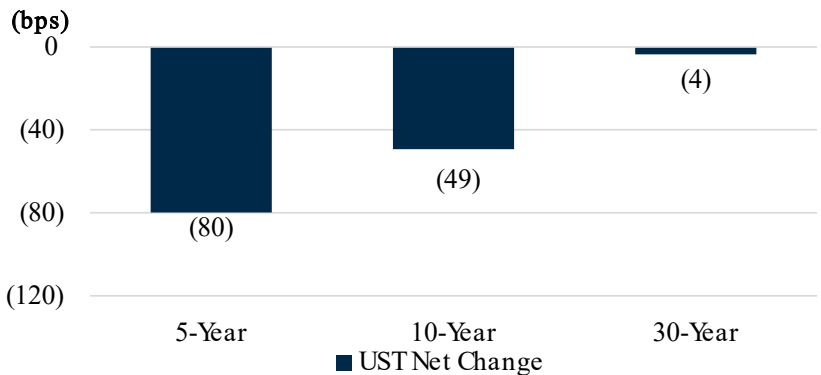
Housing New Mexico Single Family MRB Issuances
2024 – 2025 YTD



Taxable municipal market conditions

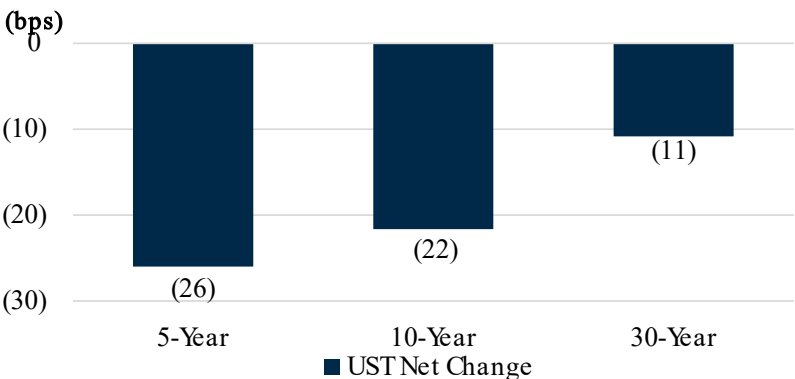
5, 10 & 30YR UST movement 2025 YTD

January 2, 2025 – September 8, 2025



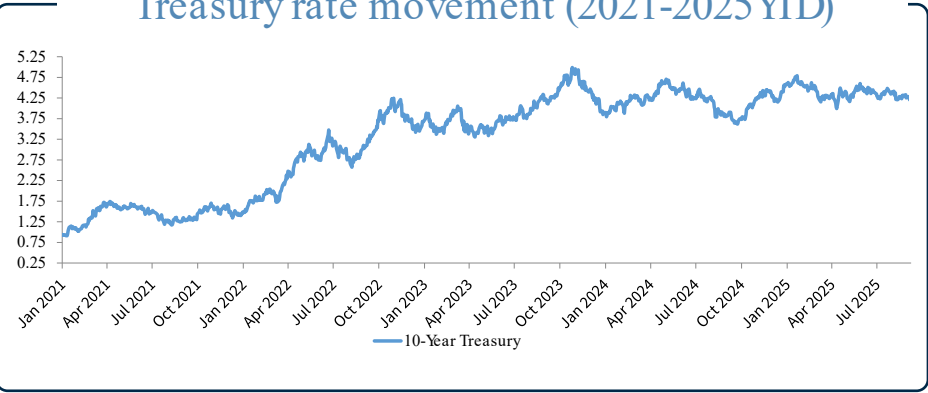
UST movement over the past month

August 8, 2025 – September 8, 2025



UST	5Y	10Y	30Y
Current	3.57%	4.07%	4.74%
2021-2025 YTD Low:	0.35%	0.91%	1.66%
2021-2025 YTD High:	4.96%	4.99%	5.11%
10Y Low:	0.19%	0.51%	0.995%

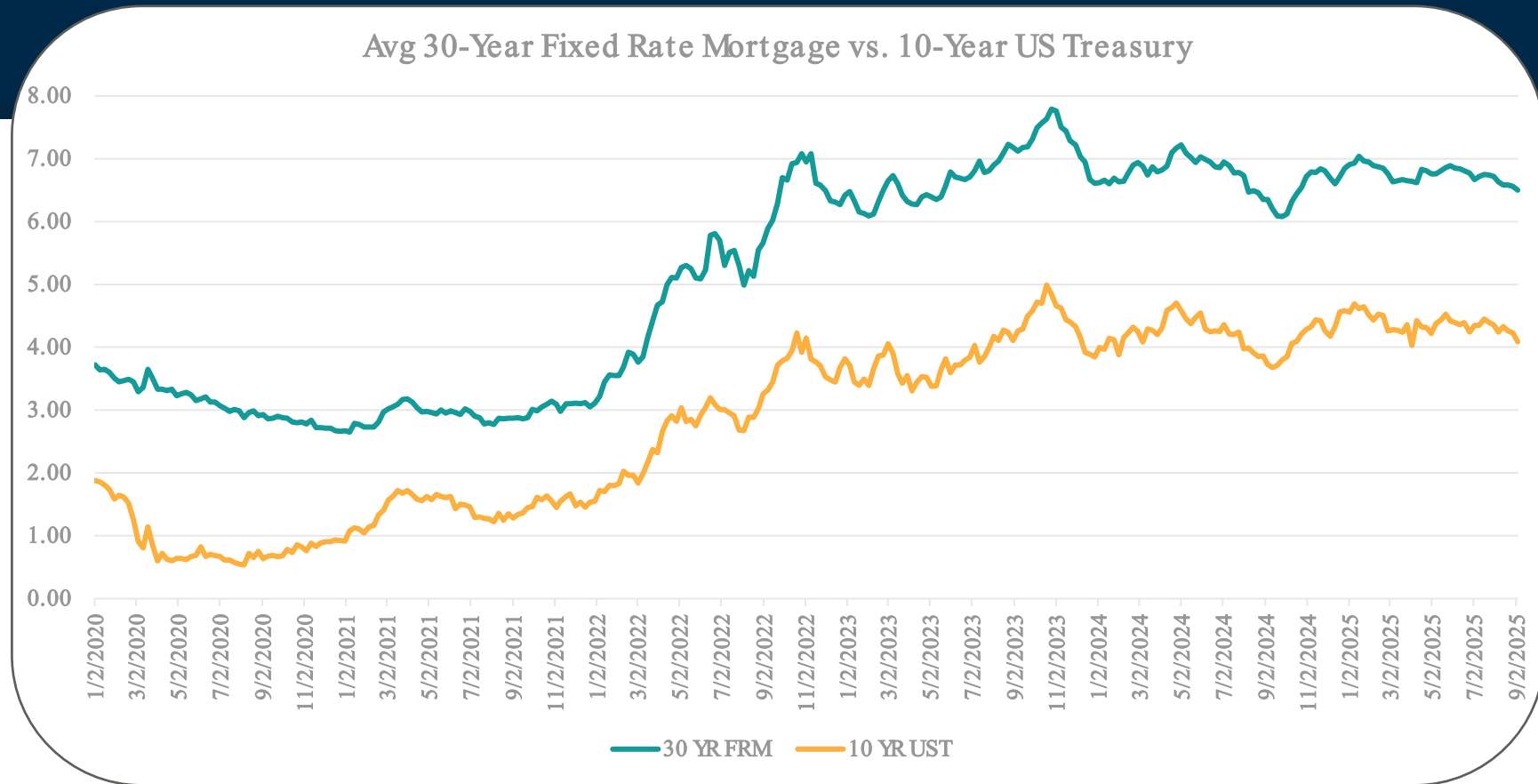
Treasury rate movement (2021-2025 YTD)



Source: Bloomberg

Treasury vs Mortgage Rates

The 10-Year US Treasury and mortgages typically move in the same direction; however, in recent years, the spread has been widening.



Sources: 30 Year Fixed Rate Mortgages based on Freddie Mac Primary Mortgage Market Survey;
10 Year US Treasury Rates from Bloomberg

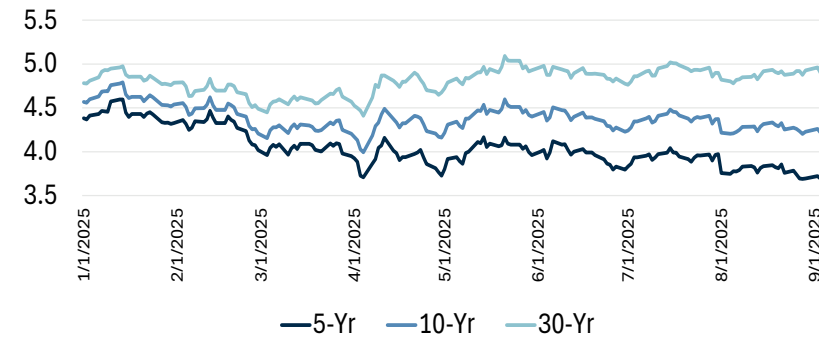
Macro Overview

Macro Themes

A weaker than expected jobs report pushed market expectations for a Fed rate cut in September to 100%, as well as additional cuts before year-end.

The rally was driven largely by several weeks of soft economic data, reinforcing the narrative of a slowing economy.

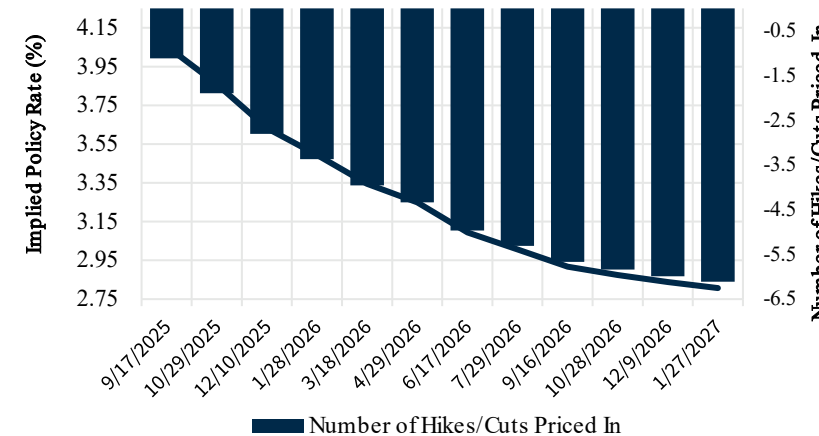
UST Rates



Macro Snapshot

	Current	ΔWoW	ΔMoM	ΔYoY
UST Yields				
5 Yr	3.571%	-0.15%	-0.22%	0.08%
10 Yr	4.067%	-0.19%	-0.18%	0.37%
30 Yr	4.741%	-0.22%	-0.09%	0.74%
UST Curve Slope				
5s30s	1.170%	-0.07%	0.14%	0.66%
10s30s	0.675%	-0.03%	0.10%	0.37%
Market Volatility				
VIX Index (S&P)	15.13	-2.04	-1.44	-4.32
MOVE Index (UST)	79.39	-5.89	-0.76	-25.22
Equities				
Dow	45,455.07	-0.20%	2.90%	12.66%
S&P	6,503.23	0.67%	1.78%	20.24%
Nasdaq	21,848.83	1.83%	1.86%	30.90%
Economic Indicators				
CPI	322.13	-	0.20%	2.70%
PPI	262.56	-	0.50%	2.60%
Employment	4.30%	-	0.00%	-4.20%

Fed Funds Rate Cut Probability



Single Family Market Outlook: 2025 - 2026

- Continued supply and demand
 - Overall municipal market
 - Single-family MRBs
- Blending tax-exempt and taxable structures to stretch volume cap and keep rates competitive
- Prepayment speeds
- Market volatility driven by:
 - Inflation, tariffs, GDP, employment data, etc.
 - Global conflicts
 - Fed actions

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NEW MEXICO HOUSING SUMMIT 2025

US CAPITAL MARKETS UPDATE

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THE ECONOMIC BACKDROP

U.S. Labor Market: Strain Now Points to Imminent Rate Cut(s)

- The U.S. labor market is flashing red
- August payrolls rose by just 22,000, the weakest in years
- Prior months saw revisions, including a negative June print
- Job growth has stalled, wage gains remain muted
- Headwinds - from trade frictions to immigration limits - are weighing heavily on the economy
- Investors are increasingly pricing in additional moves in October and December

Source: Kozlik, T.(2025).The Curious Case of the 2025 US Labor Market: Strain Now Points to Imminent Rate Cut(s). HTS Municipal Blog

U.S. Housing Market Stuck in the Mud

- Affordability continues to be challenged. Mortgage rates remain range-bound 6.6-7.0%
- Flat existing home sales through the first half of 2025. Down 0.7% YTD according to NAR
- Rising supply. Inventory of existing homes for sale up 19th consecutive month. Sits 26% above the recorded low of 4Q2023
- Near zero home price appreciation. Estimated to end the year at 2.3%
- All the factors above will certainly help affordability in the long run

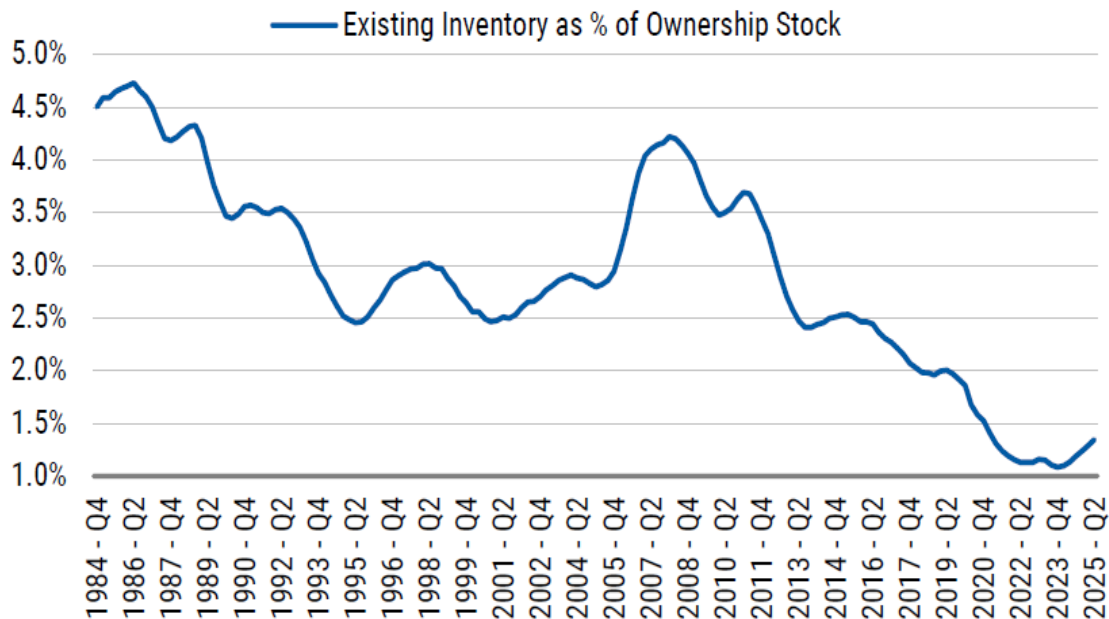
Source: NAR, Freddie Mac, US Census Bureau, BLS and Morgan Stanley



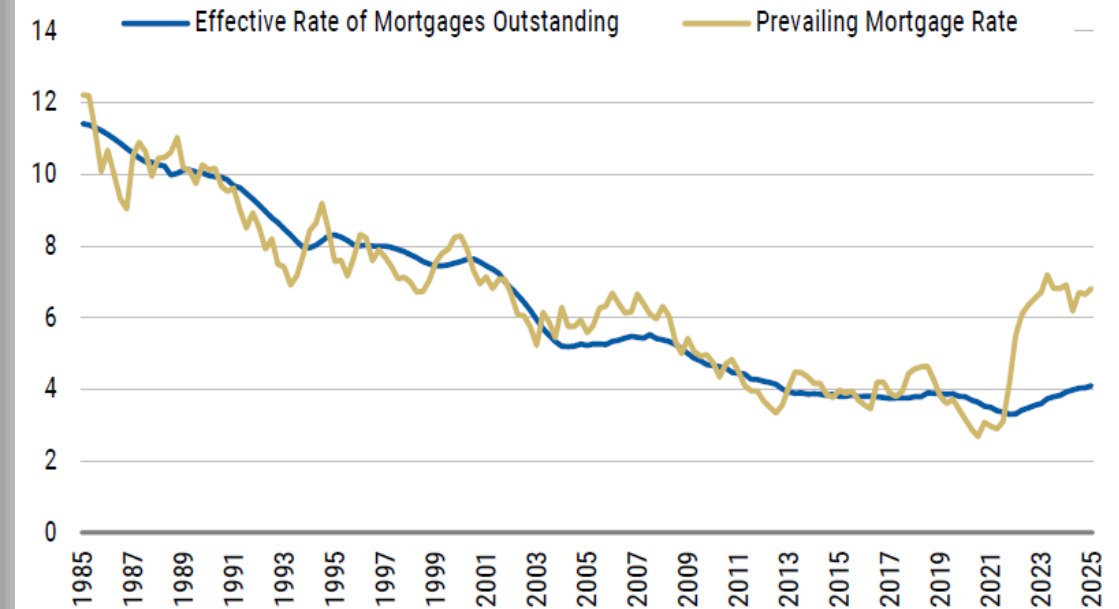
NATIONAL HOUSING TRENDS

The Housing Backdrop Remains Challenging

The number of homes available for sale remains well below historical levels, though moving higher



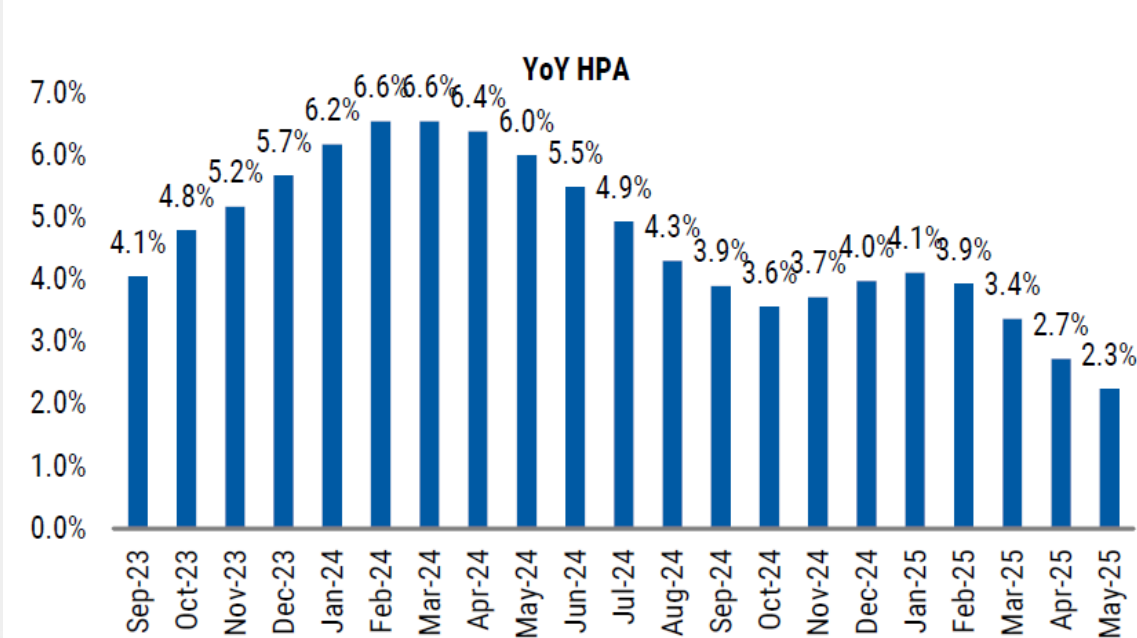
The basis between prevailing mortgages rates and the effective rate on outstanding remains wide...



Source: NAR, US Census Bureau, MBA, eMBS and Morgan Stanley

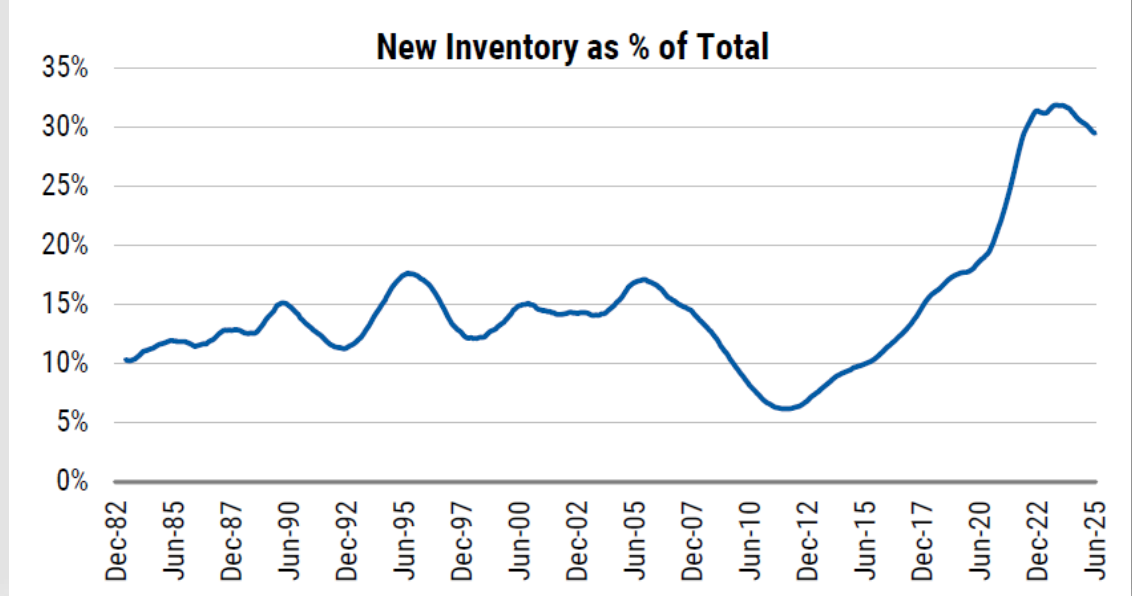
Inventory of The Rise and HPA Trending Lower

YoY HPA slowed to 2.3% in May



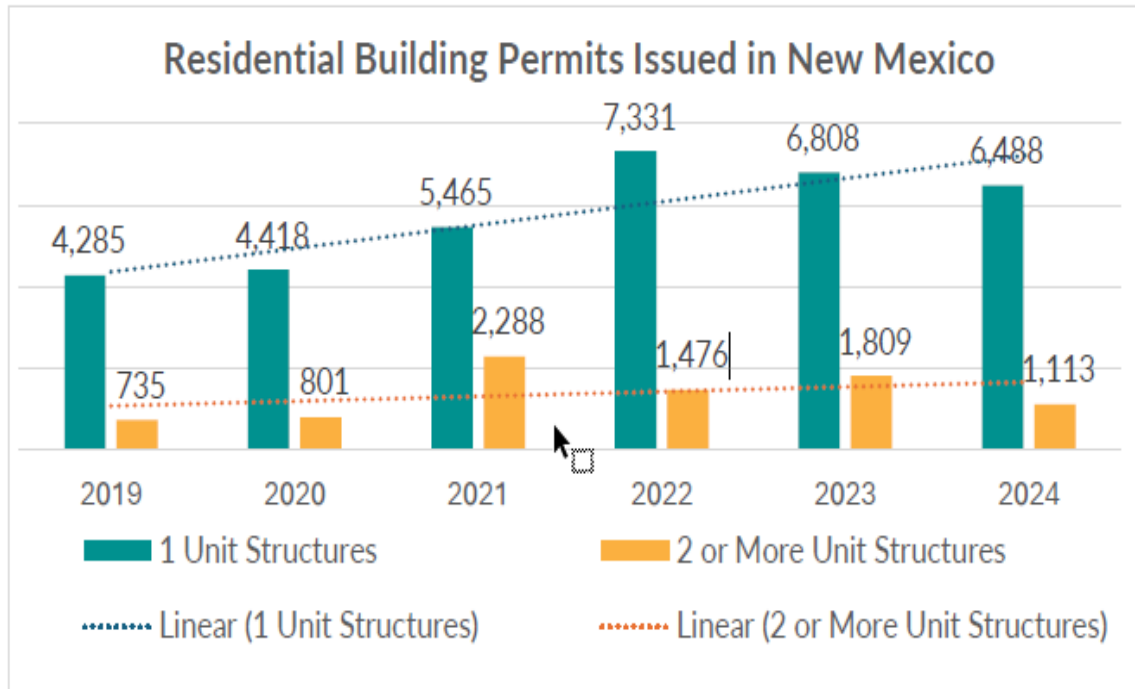
Source: NAR, US Census Bureau, Case-Shiller and Morgan Stanley

While down from recent peaks, new inventory remains at a historically high share of monthly for-sale volumes

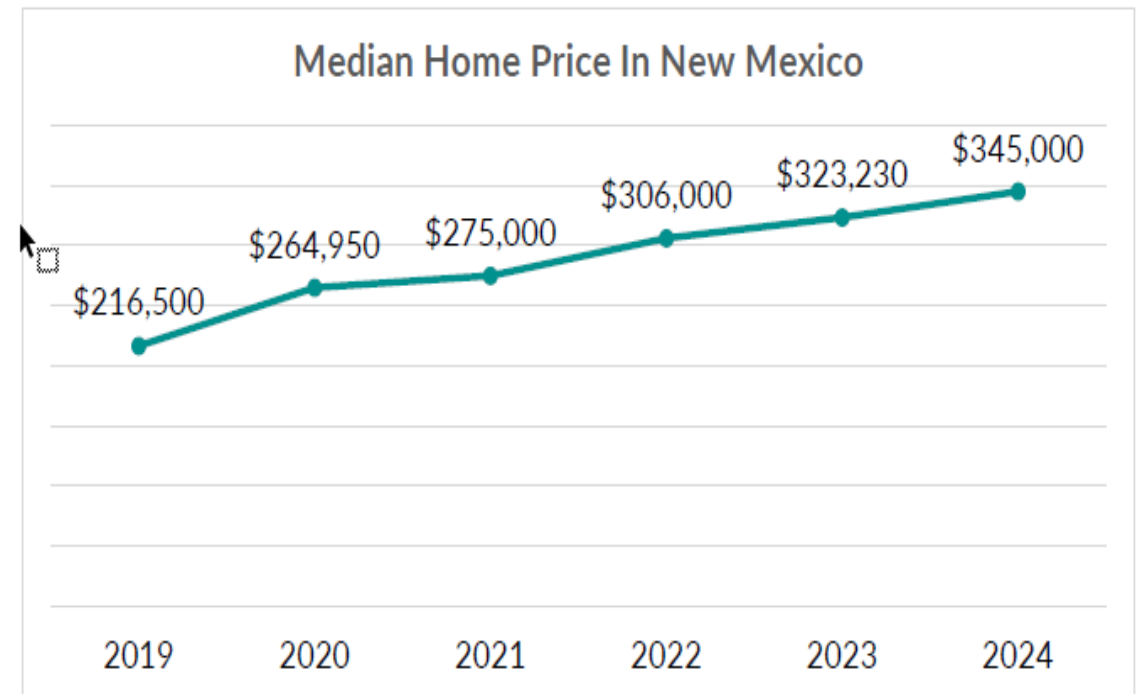


Source: eMBS, NAR, Freddie Mac, US Census Bureau, BLS and Morgan Stanley

Housing Trends in New Mexico



Residential building permits have trended higher in recent years and are up 51.2% from 2019-2024



In New Mexico the median sale price of a home in 2024 was \$345,000. Increased 6.7% from the prior year and 72.5% from 2018.

Source: 2025 New Mexico Housing Needs Assessment

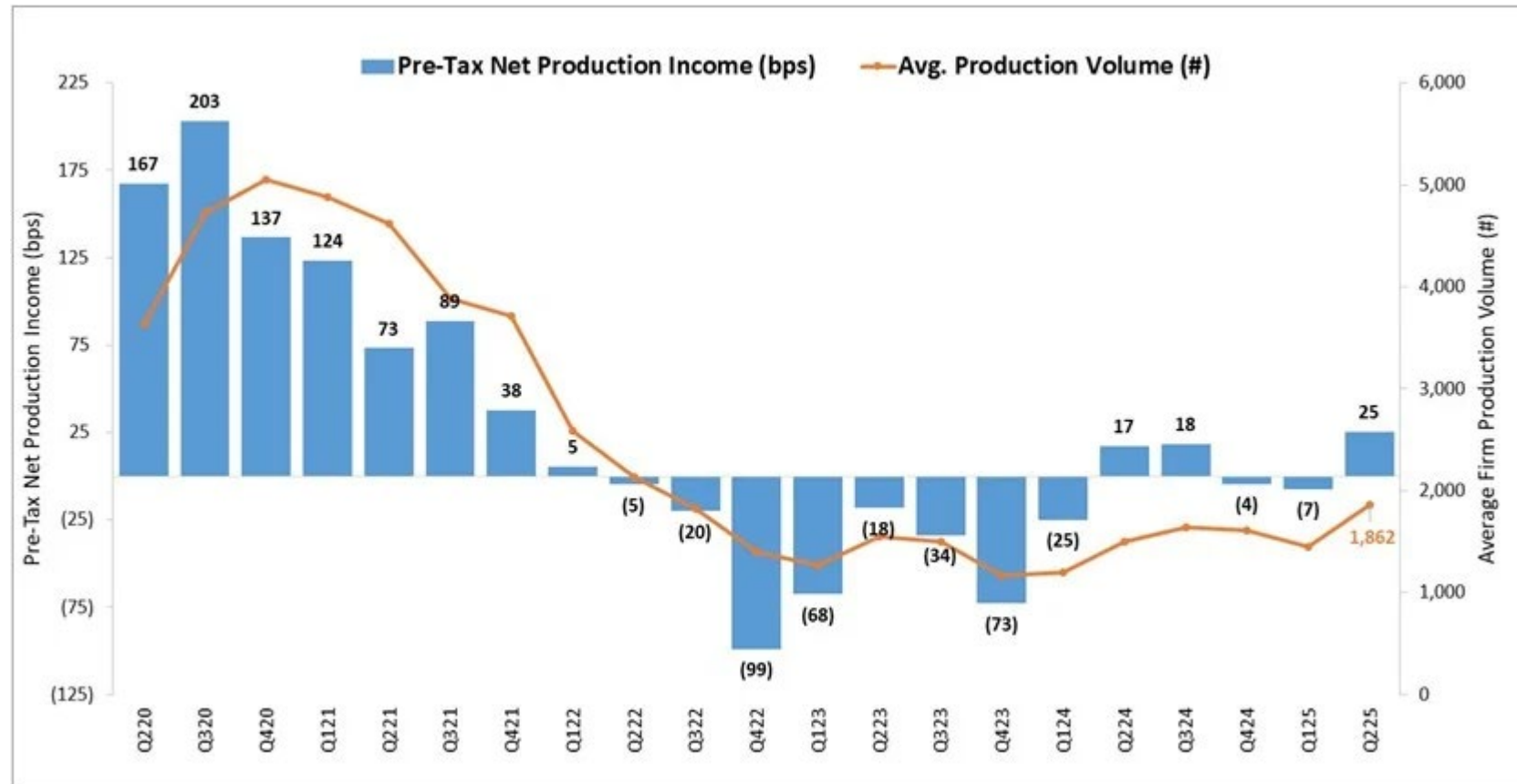
MORTGAGE MARKET UPDATE

Impact of Rate Sell-off on Mortgage Rates



Bloomberg

Challenging Mortgage Environment for Mortgage Bankers



Source: MBA

Market Dynamics Haven't Changed Much

- Lack of supply – exacerbated by slow prepayments and high mortgage rates
- Record home prices – but some relief in home price appreciation
- Strong demand for housing due to 2–4 million-unit shortage
- Institutional investors owning rental housing not selling

Other Factors

- Higher for longer rates mindset from Fed – with some relief in sight
- Ailing mortgage industry, shrinking profits (11 out of 14 losing quarters according to MBA)
- Volatility is here to stay
- Mortgage rates will likely remain elevated for the foreseeable future. According to MBA forecast 30-year mortgages will end at 6.5% this year and 6.4% in 2026

QUESTIONS?

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U.S. Capital Markets: Multifamily Affordable Housing, One Big Beautiful Bill

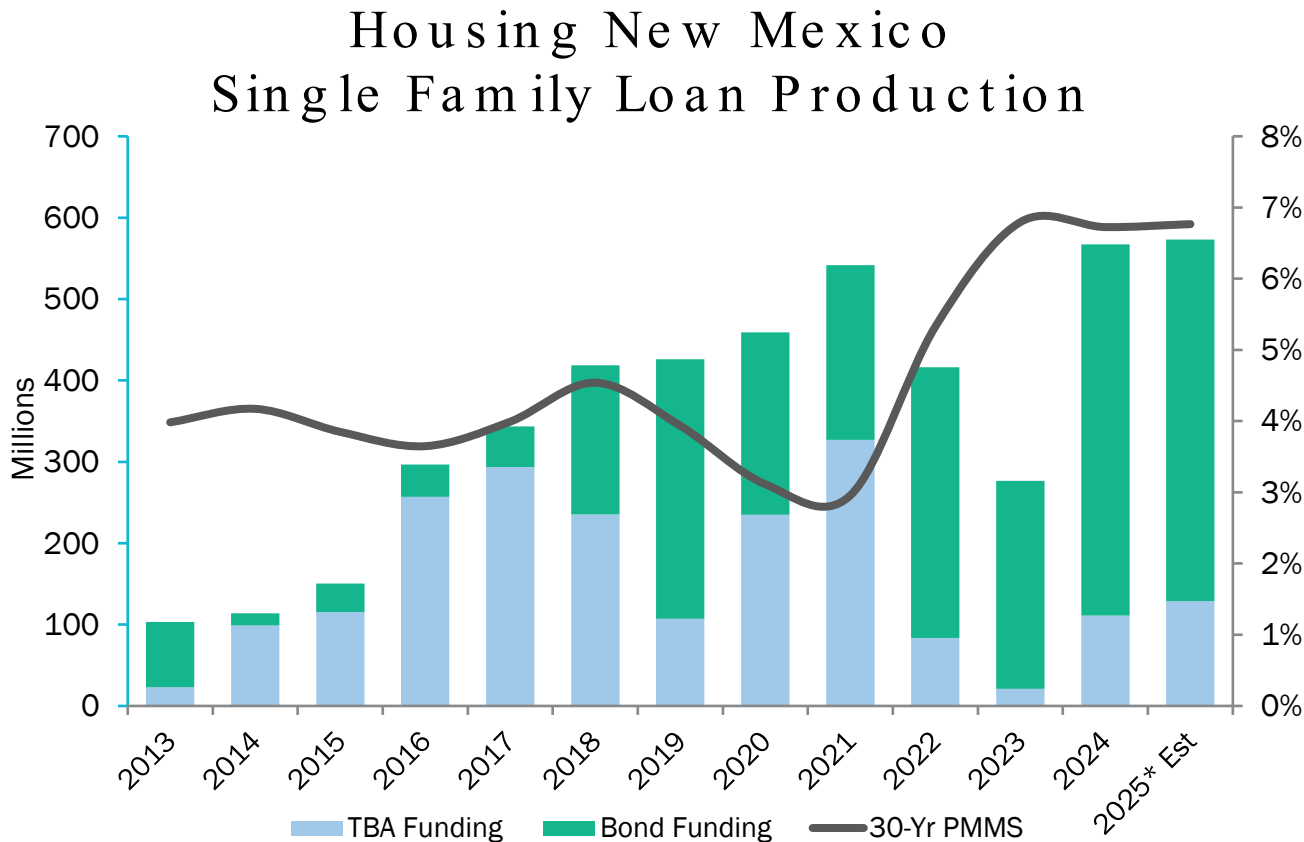
DAVID JONES, CFO

September 2025

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Navigating Volatility



- Long-term trend of serving more New Mexican homebuyers
- **34% of the state's current FHA loan production is a Housing New Mexico loan**

* FY2025 YTD actual production is shown through July 2025, and projected production is shown for subsequent months.

** Source: Freddie Mac Primary Mortgage Market Survey® (PMMS®), 30-Year Fixed-Rate Mortgage.

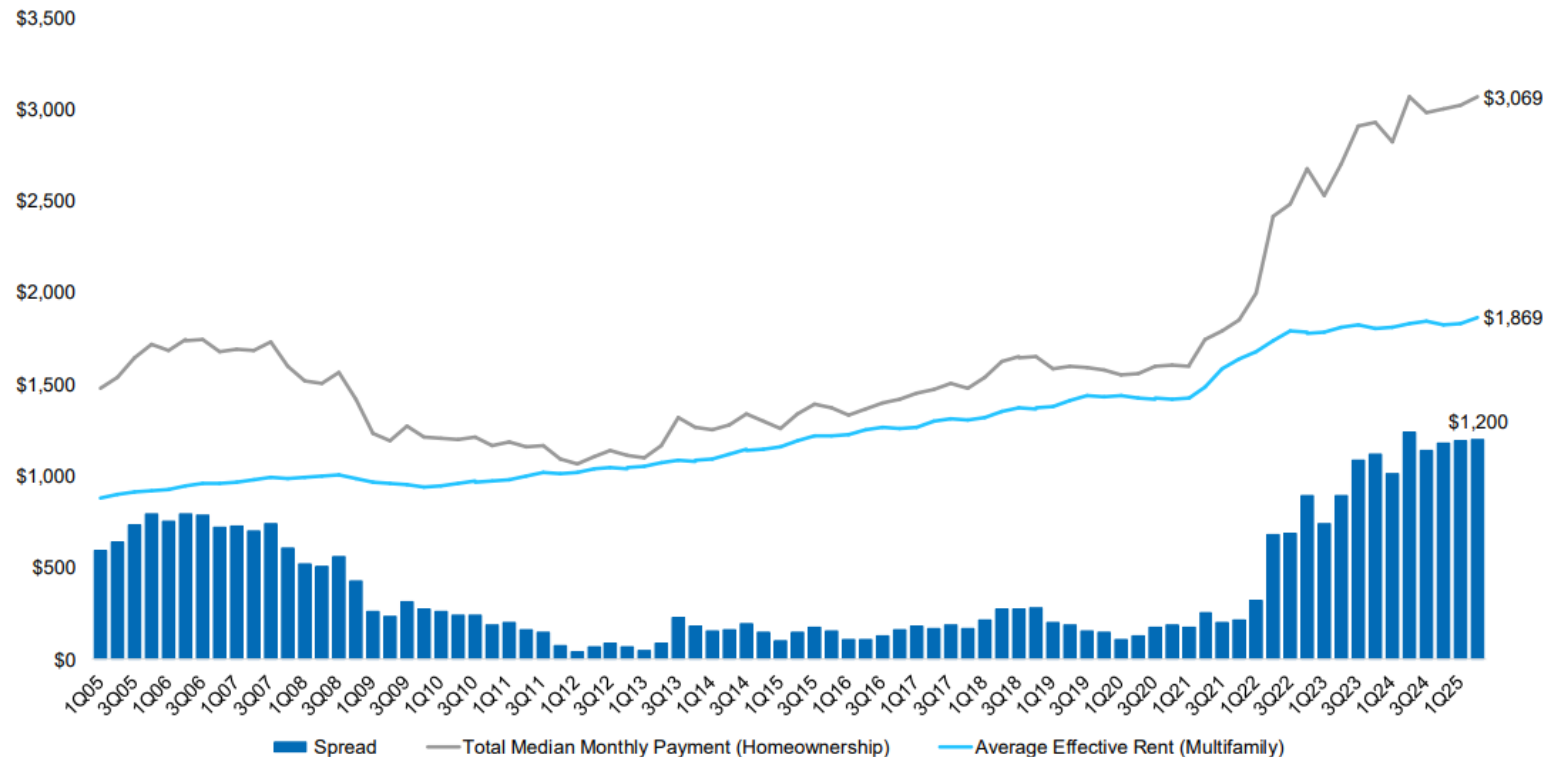
A few stats

- Since its inception 50 years ago, Housing New Mexico has issued over \$8 billion in affordable housing bonds
 - *\$2 billion issued since 2020*
- Grown its primary single family indenture from \$600 million to \$2.2 billion in bonds over the last 7 years
- Housing New Mexico expects to **fund ~ 10,000 single family mortgage loans** from 2020 through 2025.

Renting vs. Homeownership

- As of 2Q 2025, the spread between renting and homeownership in the U.S. widened to **\$1,200 per month, 2.97 times the long-term average.**
- The sustained gap underscores the growing financial premium between renting and buying, having remained above the \$404 long-term average for 13 consecutive quarters.

Cost of Homeownership Compared to Renting



Source: Newmark Research, RealPage, Atlanta Federal Reserve (July 8, 2025)

One Big Beautiful Bill Summary

- OBBB permanently lowers the bond-financing threshold for 4% LIHTC from **50% to 25% of aggregate basis** (building + land).
- States effectively double the reach of scarce Private Activity Bond (PAB) cap; more deals qualify with less tax-exempt debt.
- 9% LIHTC state credit ceilings **increase ~12% permanently**; bonus depreciation returns for certain FF&E/landscaping.
- Effective for properties placed in service after Dec. 31, 2025 with at least 5% of aggregate basis financed by bonds issued after 12/31/2025.
- Immediate priorities: pipeline triage, adjust capital stacks, re-size bond allocations, reprice equity, revisit schedules.

IMPACTS

Context

Multifamily housing
landscape

Legislative changes affecting
financing structures

BBB 25% Test – relevance to
developers & investors

1. Increase in Total Development Costs (TDC)

- Driven by difference in rates between taxable and tax-exempt financing

2. Added Interest Offset by Tax Credits

- Higher taxable interest costs
- Potentially balanced by increased tax credits

3. Bond Fees Impacted

- Typically calculated only on tax-exempt portion
- Changes may increase total fees

4. Practical Takeaways

- Expect higher upfront costs
- Model carefully to understand offsets
- Consider impacts on long-term project feasibility

Impact on PAB Volume Cap & Unit Production

- **Lower threshold frees significant volume cap**, enabling more 4% LIHTC deals to proceed.
- **Expect increased competition for equity**; potential modest downward pressure on tax credit pricing.
- **Pipeline reprioritization**: projects previously short on cap may now pencil with partial tax-exempt + taxable tranches.
- HFAs may revise allocation/inducement practices and scoring to manage demand.

Capital Stack Implications

- **Greater flexibility to mix tax-exempt and taxable debt** while preserving 4% credits.
- Potential to **optimize debt service coverage ratios** with smaller tax-exempt tranche and larger taxable first mortgage.
- **Revisit sources/uses:** developer fee timing, basis boosts, soft funding, reserves.
- Watch for private use, arbitrage rebate, and change-in-use considerations.

State HFA & Issuer Considerations

- Recalibrate bond inducement sizing and carryforward strategy under 25%.
- Update allocation plans/QAPs and application guidance to reflect new rules.
- Coordinate closing calendars to accommodate split-issuance and timing of placed-in-service.
- Expand compliance oversight for mixed taxable/TE structures.

Pricing & Investor Demand

- Permanent 12% increase in credits for 9% tax credit deals **may attract more investor capital to LIHTC.**
- Bonus depreciation can influence yield targets and pay-in timing.
- More deals chasing equity could **pressure tax credit pricing**; monitor investor letters and pipelines.
- **Model sensitivity:** credit price $\pm 5-10\text{¢}$, construction cost inflation, and permanent rate assumptions.

THANK YOU

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Questions?



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