STANDARD & POOR'S

Standard & Poor's Research

Illinois Housing Development Authority; General Obligation; Joint Criteria; Multifamily Whole Loan; Single Family Multiple MBS; Single Family Whole Loan

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Illinois Housing Development Authority; General Obligation; Joint Criteria; Multifamily Whole Loan; Single Family Multiple MBS; Single Family Whole Loan

Credit Profile		
Illinois Hsg Dev Auth ICR		
Long Term Rating	AA-/Stable	Upgraded
Illinois Hsg Dev Auth hsg bnds ser 2008A-C (Variable Rate - AMT)		
Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services raised its issuer credit rating (ICR) on Illinois Housing Development Authority (IHDA), as well as its ratings on all debt supported by the authority's general obligation (GO) pledge, by one notch to 'AA-' from 'A+'. At the same time, Standard & Poor's revised its outlook on the ICR to stable from positive. The outlook on the outstanding debt remains stable. Standard & Poor's also affirmed its 'AA' long-term and underlying (SPUR) ratings on IHDA's outstanding single-family Homeowner Mortgage Revenue Bonds (HMRB) program and multifamily Housing Bonds program bonds. The outlook on the bonds for each of these programs is stable. Finally, Standard & Poor's affirmed its 'AAA/A-1' long-term rating on IHDA's series 2008A, 2008B, and 2008C variable-rate housing bonds, reflecting the application of joint criteria (assuming low correlation) with letters of credit (LOCs) provided by JP Morgan Chase Bank N.A. (A+/A-1).

The 'AA-' ICR reflects our continued view of IHDA's:

- Strong overall financial strength, evidenced by strong leverage ratios when compared to equally-rated peers;
- Year-over-year reductions in interest expenses and reversals in loan-loss provisions that contributed to improved net interest margins in fiscal 2012, and net operating income in fiscals 2011 and 2012, after accounting for a one-time increase in loan-loss provisions;
- Strong financial management practices that have limited the authority's exposure to the interest rate risk and counterparty risk associated with variable-rate debt;
- Strong asset management practices that have contributed to a strong loan assets portfolio;
- Year-over-year improvement of overall asset quality, as indicated by a trend of declining nonperforming assets (NPAs); and
- A strong relationship with the state government, which has helped mitigate the impact of Illinois' fiscal difficulties on IHDA.

Partly offsetting the above strengths is our view of IHDA's year-over-year declines in investment income and interest income associated with program loans. Despite posting year-over-year improvement in net operating income, which we attribute to proactive management practices, we believe the continued low interest rate environment in the U.S.

may in the long term reduce the financial flexibility of many housing finance agencies (HFAs) as market conditions make it more challenging to originate mortgage products at rates sufficiently high enough to generate positive spread earnings. Additionally, NPAs increased in 2012, although IHDA has increased its loan-loss provisions to account for this.

The 'AA' rating on the Housing Bonds program bonds reflects our view of:

- The credit quality of the pledged multifamily mortgages, which consist primarily of federally subsidized mortgages under the U.S. Department of Housing and Urban Development (HUD) Section 236 and Section 8 programs;
- Cash flows indicating the program's ability to fully pay bondholders with revenues instead of general funds, reflecting an opening asset-to-liability cash flow position of 144.50% as of June 30, 2012;
- IHDA's GO pledge (AA-/Stable), supporting all bonds issued under the housing bond indenture; and
- Investments commensurate with the rating on the bonds.

Partially offsetting the above strengths is our view of a sizable amount of the subsidized loan portfolio for which the subsidy contract is not coterminous with the bonds until maturity.

The 'AA' rating on the HMRB bonds reflects our view of:

- Cash flows indicating the program's ability to fully pay bondholders with revenues instead of general funds, reflecting an opening asset-to-liability cash flow position of 109.50% as of June 30, 2012;
- Reserve levels commensurate with a 'AA' rating; and
- The credit quality of investments appropriate for the rating.

Partially offsetting the above strengths is our view of Illinois' economic recovery, resulting in historically higher rates of nonperforming loans within the single-family loan portfolio.

The Federal Reserve Board's decision to maintain low interest rates is dampening HFA's profitability, as reflected by the compounding effect of lower spread earnings on mortgage income and lower interest earning on investments, which, in the long term, may lead to downward credit pressures among some of the HFAs we rate. In the long term, reduced profitability may erode the excess capital cushions among HFAs and lead to downward credit pressure.

Despite difficult market conditions, we believe the IHDA 'AA-' GO rating continues to reflect our view of their overall financial strength, the quality of their loan and investment portfolios, continuing state support of their essential core mission, and a capable management team that has been relatively conservative in its financial management practices and approach to risk management.

IHDA continues to exhibit what we consider strong levels of equity and comfortable measures of leverage compared with equally rated HFAs. The authority's total equity to total assets stood at what we consider a strong 20% in fiscal 2012, up from roughly 19% in fiscal 2011. Total equity and reserves to total loans stood at a strong 43% in fiscal 2012, up from 36% in fiscal 2011. Total loans to total assets stood at a strong 50% in fiscal 2012, despite a marginal decline of roughly 3% from 53% in fiscal 2011. The authority's five-year averages in equity ratios slightly outperformed some higher-rated peers at the 'AA-' level. Overall, we believe IHDA's excess capital cushions have enabled the authority to preserve its overall financial strength in spite of reduced bond issuance and loan originations since the financial market crisis began in 2008.

As of June 30, 2012, IHDA's asset base declined marginally by 2% to $2.18 billion from $2.22 billion in fiscal 2011, largely reflecting sluggish growth in its loan and investment portfolios. IHDA underperformed compared with some equally rated peers, as IHDA's asset quality decreased somewhat in fiscal 2012, with NPAs as a percentage of total loans and real estate owned (REO) increasing to 6.95% from 5.49% in fiscal 2011. Offsetting this is the authority's loan-loss reserves as a percentage of NPAs, which improved year-over-year by roughly 6% to 47% in fiscal 2012 from 33% in fiscal 2011.

Net operating income remained positive in fiscal 2012, although it decreased by 31% to $10.5 million from roughly $15.2 million in fiscal 2011. However, we attribute this primarily to a large increase in provisions for loan losses to account for a slight increase on NPAs. If IHDA had maintained loan losses at historical levels, net operating income would have actually increased by roughly 30%. The authority's profitability as measured by return on assets (ROAs) improved by 0.23% to 0.67% in fiscal 2011 from 0.44% in fiscal 2010. The authority's net interest margin (NIM) remained relatively steady at 0.42% in 2011, compared with 0.43% in 2010 (see Table 1).

We believe IHDA has retained a relatively low risk profile in relation to its issued debt. As of June 30, 2012, the authority's total debt equaled $1.51 billion (excluding conduit debt), with a majority issued as fixed rate. Excluding debt issued through the federal New Issue Bond Program (NIBP), IHDA's total variable-rate debt burden ($117 million) was a relatively low 7.7% of total debt in fiscal 2012, with a majority benefitting from hedging instruments such as swaps and interest rate caps entered with 'A' rated counterparties.

Outlook

The stable outlook on the ICR reflects our continued view of the authority's overall financial strength. The authority's strong equity position, the preservation of positive net operating income despite reduced programmatic activity in its single-family program, and previous declines in NPAs make it a strong authority, in our opinion, especially compared with its 'AA-' rated peers. In our view, IHDA's continuing strong capital adequacy positions the authority for stable performance in the medium term. We will continue to assess how the authority responds to market conditions, including how its transition to a business model of purchasing and selling mortgage-backed securities (MBS) secured by homeownership loans affects its profitability and leverage. We believe continued low interest rates on mortgage products, coupled with low earnings on investments, will likely mean reduced profitability among the HFAs we rate, which in turn could lead to continued credit pressure. However, in our opinion, HFAs such as IHDA that have highly capitalized positions will likely be better able to weather the storm through continuing low interest rate conditions. We will continue to monitor IHDA's financial strength closely in terms of both profitability and equity.

The stable outlook on the Housing Bond program bonds reflects our continued view of the likelihood of the loan portfolio's very strong performance and the very strong consolidated cash flow position of the resolution at the 'AA' level, which we believe insulates bondholders from high credit risk. We expect that IHDA will continue to manage the program in a manner consistent with the rating. However, significant year-over-year declines in the financial performance of the properties pledged as collateral may stress our projected credit losses for the program and result in a lowering of the rating.

The stable outlook on the HMRB program bonds reflects our opinion of the overall loan performance of the mortgage loan collateral and other assets available under the indenture. Our projected credit losses at the 'AA' level, which the program's consolidated cash flow position fully absorbs, assume virtually no loan-loss recovery from mortgage insurance counterparties. However, there is a risk that an escalating number of NPAs within the program may place downward pressure on the rating in the long term. We expect that IHDA will continue to manage and oversee the performance of loans and other assets under the program necessary to support the rating, and we will closely monitor how IHDA manages any future asset quality deterioration.

Housing Bonds Indenture

As of June 30, 2012, IHDA maintained approximately 127 loans assisting 94 developments under the Housing Bonds program. Developments encompassed the following program types as of June 30, 2012, listed by mortgage balance percentage:

- Section 8 (73%);
- Section 236 (6%);
- Federal Housing Administration (FHA) Risk Share (12%);
- Unassisted conventional financings (7%); and
- Multiple forms of subsidy, including FHA and Section 8 (2%).

Overall, the mortgage portfolio is performing well, in our opinion, with average debt service coverage of approximately 1.35x, as indicated by reported project audits. Occupancy for developments under the Housing Bond program averaged approximately 97% in fiscal 2011.

As of June 30, 2012, loans under the Housing Bond program totaled $415 million. As of June 30, 2012, IHDA had approximately $383 million in bonds under the Housing Bonds program, with four bond series issued as variable-rate and hedged with interest rate caps.

IHDA pledges the assets under the indenture, as well as its GO to all series issued under the resolution. The portfolio's overall credit quality reduces the risk that the resolution places on IHDA's capital adequacy. We have evaluated the portfolio to forecast potential loan losses at the 'AA' category. Any assumed losses that program equity cannot support are applied as a capital exposure to IHDA's unrestricted net assets as part of our analysis of the ICR. However, the resolution currently has sufficient equity to fully cover projected losses at the 'AA' level, which we calculate to be approximately 13% of mortgage assets. Approximately half of the Section 8-supported loans have bonds that outlast current housing assistance payment contracts. We have incorporated nonrenewal risk into the loan-loss assumptions.

Consolidated cash flows indicate sufficient revenues from mortgages and investments under the resolution to make full and timely payments to bondholders. Asset-to-liability parity as of July 1, 2012, opened at 144.50%. The bonds are further supported by a debt service reserve fund sized in accordance with its requirement under each series resolution. The reserves are funded from bond proceeds and are invested in permitted investments under the resolution, which meet requirements for a 'AA' rating.

Homeowner Mortgage Revenue Bonds

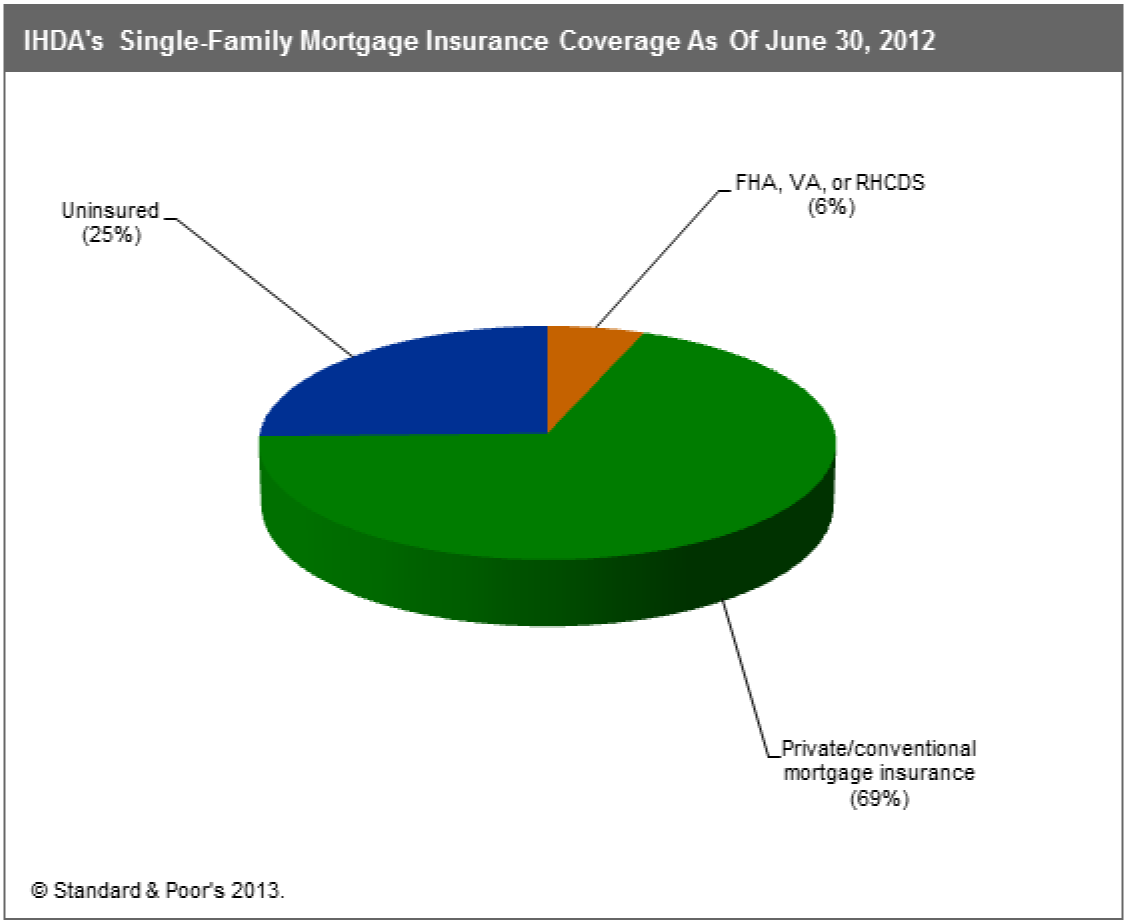
Standard & Poor's has reviewed cash flows with various prepayment speeds and interest rates. In all cases, the cash flow runs demonstrate that revenues and assets are sufficient to pay debt service and fees until bond maturity. The cash flows indicate that asset-to-liability parity is approximately 109% with a June 30, 2012, basis date.

Delinquencies of 60 days or more and loans in foreclosure reached 15.84% in fourth quarter 2012, the latest period for which data is available for comparison. This is higher than the 7.16% reported by the Mortgage Bankers Association (MBA) for a similar loan type, and continues a trend that began in fourth quarter 2008, whereby loans within the bond program had a higher delinquency rate than the state. However, IHDA has taken steps to address this by contracting with a new master servicer that is more proactive regarding delinquencies and foreclosures. IHDA expects to see their delinquency and foreclosure rates improve, as a result. The lowest delinquency rate for the bond program was 1.16% in third quarter 2006, and the average delinquency rate of the loans since second quarter 2006 has been roughly 6%.

A continuing stress on the bond program is the deterioration of ratings on private mortgage insurance providers; this represents roughly 69% of the loan portfolio. We currently assume no credit for recovery in our loss coverage assumptions for the rest of the private mortgage insurers. The resulting loss reserve assumption, based on loan characteristics and performance, is roughly 12%.

During fiscal 2012, roughly 68% of the single-family mortgage loans were insured by private mortgage insurance, about 6% were federally insured or guaranteed, and the remaining 25% were not required to carry insurance because their loan-to-value ratios are lower than 80% (see Chart 1).

Chart 1



The 'A-1+' short-term component of the rating on the homeowner mortgage revenue bonds (series 2004A-3, 2004C-3, and 2005A-3) reflects separate liquidity facilities provided by Federal Home Loan Bank of Chicago (AA+/A-1+/Negative).

Overall Asset Quality

In our view, the authority's asset management policy remains strong. IHDA's loan-loss policy includes a ranking system for loans, and the authority bases estimated potential losses on the rankings. IHDA's asset quality declined slightly in fiscal 2012, with NPAs as a percentage of total loans and REO increasing to 6.95% from 5.49% in fiscal 2011. The authority's loan-loss reserves as a percentage of NPAs improved in fiscal 2012 to 47.1% from 32.7% in fiscal 2011 (see Table 1).

As of June 30, 2012, IHDA's asset base declined marginally by 1.78% to $2.18 billion from $2.2 billion in fiscal 2011, largely reflecting sluggish growth in its loan and investment portfolios due to market conditions. Until market conditions change, IHDA has changed its business model from purchasing whole loans to purchasing and selling MBS secured by homeownership loans.

During fiscal 2012, mortgage loans represented roughly 51% of the authority's asset base, and investments represented roughly 41% (see Chart 2). The authority's $1.1 billion loan portfolio consisted of about 45% single-family loans ($492 million), 47% multifamily loans ($512 million), and 8% other loans ($82 million).

The bulk of IHDA's single-family loans are contained in its HMRB resolution, although this portfolio has declined in size with higher-rate loans prepaying at a steady rate. Additionally, IHDA has made a strategic decision to originate more MBS single-family loans, since the market for these loans has been more advantageous in recent years. While delinquency rates in IHDA's whole loan portfolio continue to exceed the state average, IHDA has taken steps to reduce delinquency rates, such as hiring a new master servicer and offering foreclosure prevention and assistance programs. Although IHDA's single-family loan portfolio has been decreasing in recent years, it has been proactive in making its loan products more attractive, such as offering down payment assistance to its borrowers.

Chart 2

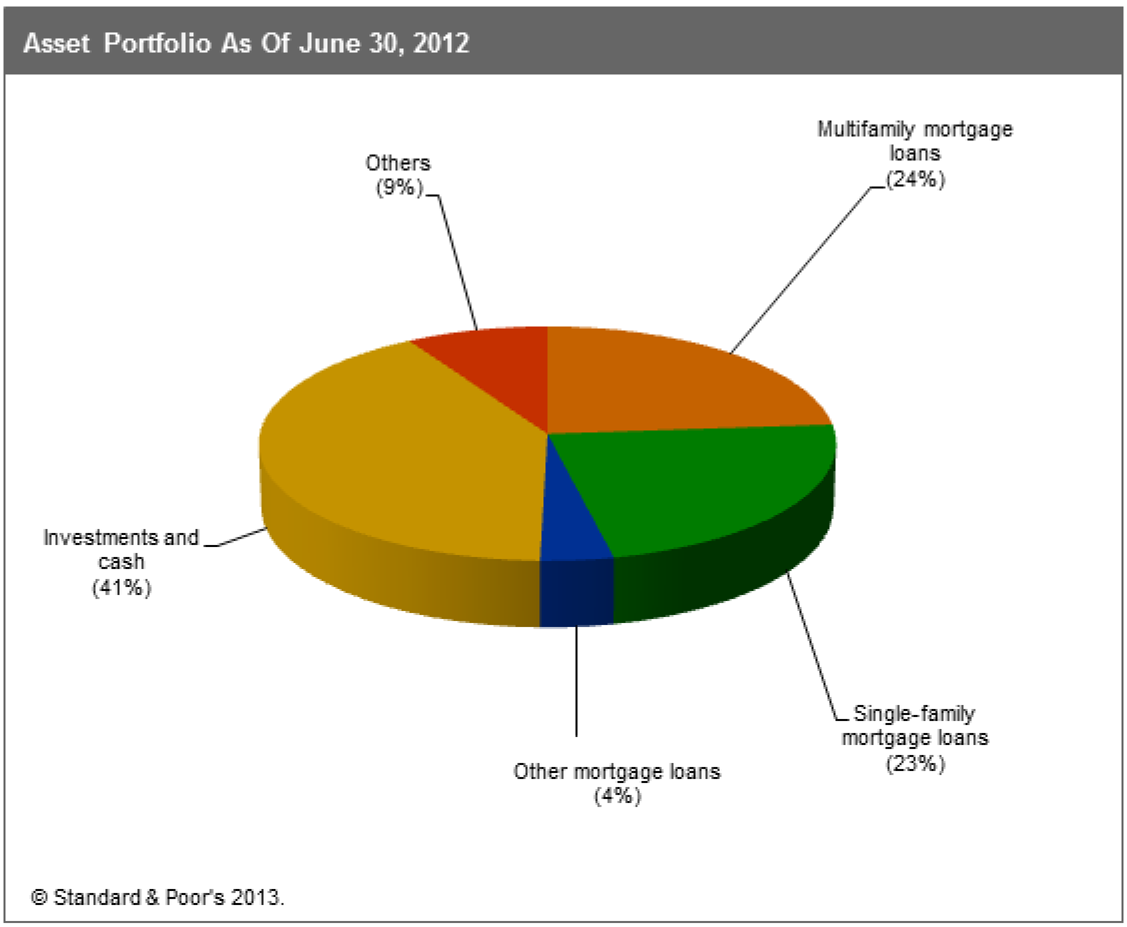
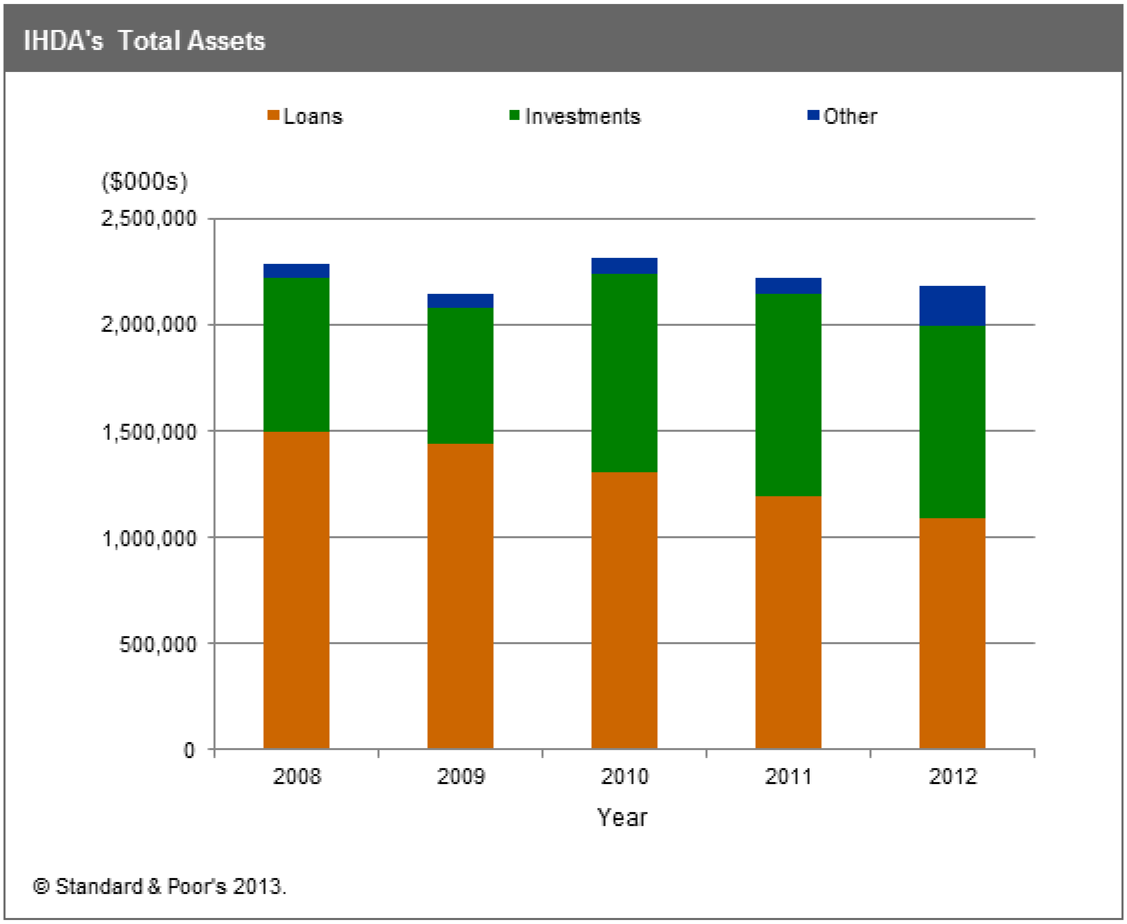


Chart 3



The bulk of IHDA's multifamily portfolio is concentrated under its Housing Bond program consisting of loans that are predominantly federally subsidized or guaranteed. We believe federal subsidies and guarantees, coupled with strong underwriting, contribute to a risk profile for the program that we deem low to moderate. IHDA has experienced what we consider a low level of NPAs under the Housing Bond program, equal to roughly 0.72% of total loans.

In fiscal 2012, the authority's investment portfolio increased to $951 million. We believe IHDA's investments are of high credit quality and provide strong liquidity support. The portfolio is predominantly invested in U.S. government and authority obligations, and in collateralized demand repurchase agreements.

The counterparties to the demand repurchase agreements include the following rated providers:

- JPMorgan Chase Bank N.A. (formerly Morgan Guaranty Trust Co.) (A+/A-1/Stable);
- Morgan Stanley & Co. Inc. (A-/A-2/Negative);
- Trinity Plus Funding Co. (AA+/A-1+/Stable), based on the guarantee by General Electric Capital Corp.; and
- WestLB AG Guaranteed (AA-/A-1+/Stable), based on the guarantee of the State of North Rhine-Westphalia.

In our view, the portion of long-term investment agreements comprising IHDA's investment portfolio poses minimal credit risk to the authority given current ratings and concentration in relation to total authority assets. Our analysis indicates that most of the agreements contain commercial replacement clauses so that the IHDA may terminate agreements early if the rating on the provider deteriorates below contractually specified levels. We believe these investments are commensurate with our view of the authority's strong investment policy.

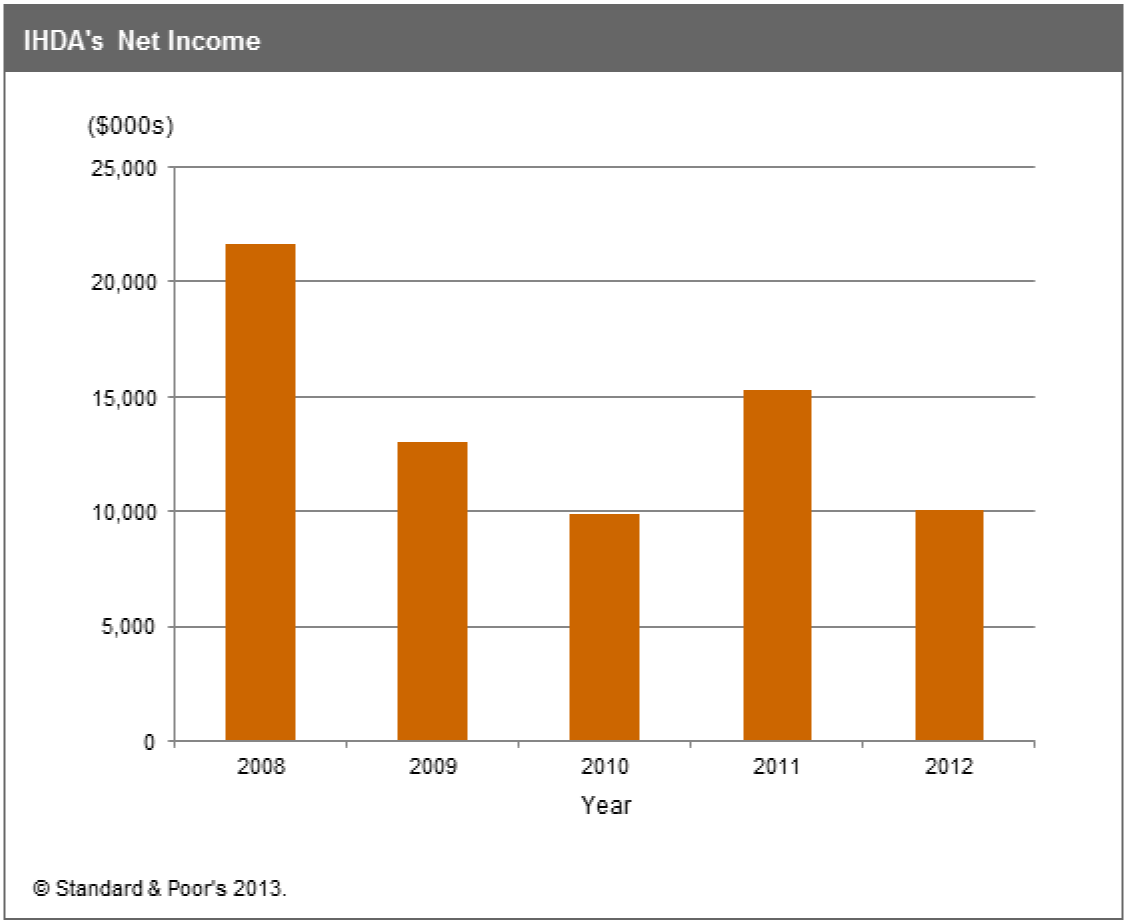
Overall Financial Strength

We review IHDA's overall financial strength strictly on the basis of its business-type activities because (a) its governmental activities reflect the pass-through of federal and state funds for grants and low-interest loans, and (b) because the net assets are restricted to those programs only.

IHDA continues to exhibit what we consider strong equity levels and comfortable measures of leverage compared with equally rated HFAs. IHDA's total equity grew moderately by 3.6% to $428 million in fiscal 2012 from $413 million in fiscal 2011. The authority's total equity to total assets stood at what we consider a strong 19.64% in fiscal 2012, up from 18.67% in fiscal 2011. Total equity and reserves to total loans stood at a strong 42.67% in fiscal 2012, up from 34.46% in fiscal 2011. Total loans to total assets stood at a strong 50% in fiscal 2012 despite a marginal decline from 53% in fiscal 2011. After adjusting for NPAs, the authority's unrestricted equity as a percentage of debt was calculated to be roughly 13% in fiscal 2012, exceeding our 4% benchmark. Furthermore, the authority remains very liquid.

Given the challenging housing market conditions, activity within the single-family and multifamily bond programs has been sluggish since fiscal 2009, affecting profitability ratios. Despite income from investments and loans declining, net operating income for the authority remained positive in fiscal 2012, at $10.5 million (see Chart 4). While this is down from fiscal 2011, this is largely due to a significant increase in the loan-loss provision for 2012, which Standard & Poor's considers prudent management. IHDA's profitability as measured by ROA remained a strong .48% in fiscal 2012. The authority's NIM improved to .50% in 2012, compared with 0.42% in 2011 (see Table 1).

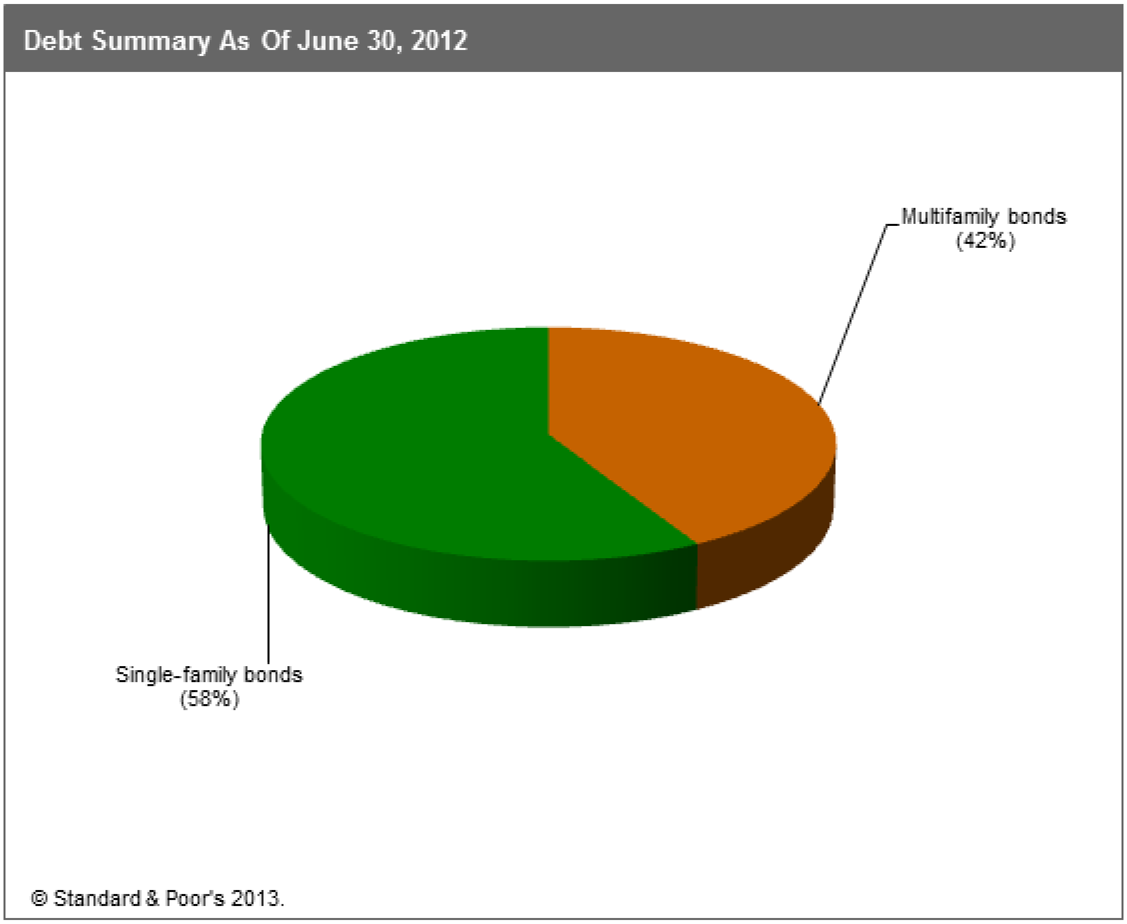
Chart 4



Total Debt

As of June 30, 2012, IHDA's debt totaled roughly $1.51 billion, a decrease from fiscal 2011. Of the total debt, about 57% involved single-family bonds, and 43% relates to multifamily bonds (see Chart 5). Approximately 2.5% of IHDA's bonds are backed by its GO pledge.

Chart 5



The Housing Bond resolution is backed by the quality of the pledged collateral and IHDA's GO pledge, and it contains well-seasoned federally subsidized mortgages. To the extent that available equity is insufficient to account for our assessment of portfolio risk, a capital charge is assessed to the authority's administrative fund. Consolidated cash flows, assuming no prepayments with a June 30, 2012, basis date, indicate that equity totaled $170 million, equal to an asset-to-liability parity ratio of roughly 144.55%.

Single-family mortgage debt resides predominantly in the HMRB program. According to audited financials as of June 30, 2012, equity totaled roughly $77 million, equal to an asset-to-liability ratio of approximately 109%. In fiscal 2009, IHDA transferred $35 million into this program ($10 million and $25 million from the Housing Bond and Affordable Housing Trust Fund programs, respectively). This deposit helped bolster the HMRB resolution's equity position in light of pressures posed by conventional mortgage insurers. All single-family bonds are rated 'AA', reflecting the credit quality of pledged single-family mortgage loans and investments appropriate for the rating, the ability to absorb forecast loan losses, and cash flow sufficiency.

Use of interest rate swaps and hedging instruments exposes IHDA to a number of risks. These include termination risk, counterparty risk, amortization risk, basis risk, and tax risk. However, we believe it has effectively managed these risks, in part by limiting their exposure to variable-rate debt. In our opinion, IHDA's variable-rate debt portfolio represents low risk to the corporation, reflecting:

- Relatively low variable debt burden in relation to all debt;
- Moderate degree of involuntary termination risk under the swap due to a narrow ratings trigger spread;
- Low-to-moderate degree of counterparty risk given the related counterparties' current ratings;
- Strong management oversight, as evidenced by a written financial management plan requiring periodic review of all hedging agreements; and
- The modeling or our stressed interest rate risk assumptions into consolidated cash flow simulations in both the HMRB and Housing Bond programs.

IHDA was allocated roughly $500 million under the federal NIBP during fiscal 2010 (December 2009) to spur mortgage originations and new bond issuance. Of its awarded funds, the authority issued $384 million -- roughly $184 million and $200 million through their Multifamily Initiative Bonds (MIB) and HMRB programs, respectively.

Under the NIBP, bonds were issued and deposited in escrow and invested in short-term investments. Upon release, the authority used proceeds from the bonds, subsequent to conversion to long-term fixed-rate modes, to finance mortgage loans. Bond purchasers exchanged the bonds for securities issued by Fannie Mae and Freddie Mac. The U.S. Treasury then purchased these securities using its authority under the Housing and Economic Recovery Act of 2008.

NIBP bonds issued through the HMRB are currently rated 'AA', reflecting the overall credit characteristics of this indenture. NIBP bonds issued through the MIB program were rated 'AAA', reflecting the delivery of loans benefitting from FHA-risk share (see "Illinois Housing Development Authority; Multifamily FHA Insurance", published Dec. 18, 2009, on RatingsDirect). These bonds also benefitted from a limited GO pledge from IHDA, which we account for in our analysis of the authority's capital cushions. The ratings on the bonds were lowered concurrently with the Aug. 5, 2011, lowering of the sovereign rating on the United States (see "Ratings On Certain Municipal Housing Issues Lowered To 'AA+'," published Aug. 8, 2011, on RatingsDirect). Finally, IHDA requested that Standard & Poor's withdraw its ratings on the MIB program (see "Illinois Housing Development Authority; Fannie Mae Direct Pay; Multifamily FHA Insurance", published Nov. 15, 2011, on RatingsDirect).

IHDA's Management And Legislative Mandate

In our view, IHDA's management is strong and is a contributing factor to the authority's credit strength. They are guided by a nine-member board of directors appointed to four-year terms by the governor with the state senate's advice and consent. Board members are well versed in community development, public finance, and affordable housing construction.

After some turnover in fiscal 2011, the current executive team has been in place for over two years. We believe they have provided strong oversight in all functional areas of the authority, including financial risk management pertaining to managing debt and investments, and asset management as it pertains to loan underwriting and loan servicing. Further, we believe the current team remains proactive in guiding the authority through difficult market conditions and helping it to fulfill its mission.

Despite fiscal pressures experienced by the state, we believe IHDA's relationship with the state government remains strong. Furthermore, we are unaware of any state proposals that may potentially impact IHDA's financial strength. IHDA maintains a presence in affordable housing statewide by acting as administrator for the Rental Housing Support Program, which awards funds to local agencies that make rental units affordable to households earning below 30% of area median income. In addition, IHDA oversees and administers the state's Affordable Housing Trust Fund. The state recently made a $30 million payment (for fiscal 2012, including loan repayments) to this trust fund, further reflecting the state's strong support of affordable housing initiatives in Illinois. IHDA also administers the Illinois Affordable Housing Tax Credit program, and it allocates both federal low-income housing tax credits and federal HOME funds. Further, during fiscal 2011, IHDA became the state administrator of $445 million in federal funds through the Hardest-Hit Fund, which assists households in mortgage payment delinquency due to unemployment or underemployment.

State Economy

Standard & Poor's recently lowered its rating on Illinois' GO debt to 'A-' (see "Illinois; General Obligation", published Jan. 28, 2013, on RatingsDirect). The outlook is negative.

We view Illinois' economy as broad and diverse, and the state's income levels are well above average. In our view, the state's economic recovery continues at a modest pace. The state's unemployment rate fell through much of 2012 yet remains above the U.S. average. Per capita personal income in 2011 was $43,721, or 105% of the U.S. average; this ranks Illinois 14th nationally and first among Great Lakes states.

According to IHS Global Insight, Illinois has a diversified economy. It has strong economic anchors, a well-developed infrastructure, and a strong higher education presence largely centered on Chicago, which should encourage growth and development over time. Significant contributions to employment from the trade, transportation, and utilities sector (20.1%) reflects Chicago's role as a transportation hub. Other sectors that account for the majority of employment are government (14.2%), professional and business services (15.2%), and education and health (15.1%). Most sectors are posting employment growth, although government fell by 0.8% in 2012, while manufacturing -- which accounts for 10.1% of total employment -- is down 1.5% year over year.

Unsteady job growth, in which 21,000 jobs were added January and February 2013 followed by a loss of 18,500 jobs in March and April, has largely affected Illinois' economic recovery. The unemployment rate is projected to fall below 9% by the end of 2013 and drop below 7% in the short term. While job growth is forecast in the professional and business services sector, employment is not expected to reach its pre-recession peak until 2015.

Illinois' housing market has yet to reemerge as expected and remains weak, in contrast to the rest of the state. A slow clearance of existing housing stock is expected to surge new housing demand, which, once accelerated, could help increase home prices and boost construction payrolls.

According to MBA data, Illinois' foreclosure rates are higher than the national average, with 3.6% of prime loans in foreclosure compared to 2.1% for the U.S. in second quarter 2013. Illinois also ranked eighth highest in subprime loan foreclosures (15.1%) during this period, exceeding the 11% national average.

Table 1

Financial Ratio Analysis

	2008	2009	2010	2011	2012	Five-year average
Profitability (%)						
Return on average assets	0.97	0.59	0.44	0.67	0.46	0.87
Return on assets before loan-loss provision and extraordinary item	1.05	0.81	0.59	0.57	0.82	0.83
Net interest margin	1.09	0.70	0.43	0.42	0.50	0.76
Asset quality (%)						
NPAs/total loans and real estate owned	4.36	5.06	6.91	5.49	6.95	5.42
Loan-loss reserves/total loans	1.16	1.37	1.88	1.81	3.31	1.46
Loan-loss reserves/NPAs	26.62	26.97	27.00	32.75	47.19	26.66
Leverage (%)						
Total equity/total assets	15.97	17.63	16.98	18.64	19.67	17.00
Total equity and reserves/total loans	25.62	27.69	32.10	36.46	42.67	29.62
Liquidity (%)						
Total loans/total assets	65.31	66.98	56.51	53.78	49.99	61.08

Table 2

Five-Year Average Financial Ratios (2008-2012)

	IHDA	All 'A+' HFAs	All 'A-' HFAs	All 'AA-' HFAs	All HFAs
Profitability (%)					
Return on average assets	0.87	0.68	0.01	0.58	0.63
Return on assets before loan-loss provision and extraordinary item and extraordinary item	0.83	0.76	0.15	0.61	0.76
Net interest margin	0.76	1.11	0.70	1.06	1.20
Asset quality (%)					
NPAs/total loans and real estate owned	5.42	5.03	2.50	1.32	3.05
Loan-loss reserves/total loans	1.46	2.66	0.60	0.60	1.96
Loan-loss reserves/NPAs	26.66	88.28	20.95	72.32	896.03
Leverage (%)					
Total equity/total assets	17.00	12.78	11.15	12.69	16.95
Total equity and reserves/total loans	29.62	22.03	16.91	18.28	25.65
Liquidity (%)					
Total loans/total assets	61.08	68.43	67.64	72.38	72.15

Table 3

Trend Analysis

	2008	2009	2010	2011	2012
Total assets ($000s)	2,286,080	2,145,113	2,315,596	2,220,031	2,180,554
% change	5.11	(6.17)	7.95	(4.13)	(1.78)
Total debt ($000s)	1,644,974	1,546,592	1,701,825	1,568,483	1,511,422
% change	3.62	(5.98)	10.04	(7.84)	(3.64)

Table 3

Trend Analysis (cont.)					
Total equity ($000s)	365,128	378,183	393,202	413,751	428,987
% change	6.29	3.58	3.97	5.23	3.68
Revenues ($000s)	125,369	115,672	101,038	95,092	103,103
% change	(0.20)	(7.74)	(12.65)	(5.88)	8.42
Net income ($000s)	21,615	13,055	9,919	15,249	10,036
% change	(37.97)	(39.60)	(24.02)	53.74	(34.19)
Total loans ($000s)	1,493,047	1,436,860	1,301,609	1,194,032	1,090,036
% change	9.25	(3.76)	(9.41)	(8.26)	(8.71)
Nonperforming assets ($000s)	65,260	72,921	90,793	65,947	76,552
% change	(11.32)	11.74	24.51	(27.37)	16.08
Loan-loss reserves ($000s)	17,370	19,670	24,518	21,600	36,127
% change	18.16	13.24	24.65	(11.90)	67.25

Standard & Poor's 17g-7 Disclosure Report

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com.

Related Criteria And Research

- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- USPF Criteria: Single-Family Whole Loan Programs, June 14, 2007
- USPF Criteria: Housing Finance Agencies, June 14, 2007
- USPF Criteria: Affordable Multifamily Housing Pooled Financings, June 13, 2007
- USPF Criteria: New Discounts Reflect Changes To Mortgage Insurer Rating Assumptions In The Municipal Housing Sector (As Of Sept. 2, 2010), Sept. 15, 2010
- USPF Criteria: Assumptions: Update to Cash Flow Analysis for Public Finance Housing Bonds, March 3, 2009
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- Criteria: Joint Support Criteria Update, April 22, 2009

Ratings Detail (As Of August 26, 2013)		
Illinois Hsg Dev Auth homeowner mtg rev bnds ser 2004A-3		
Long Term Rating	AA/A-1+/Stable	Affirmed
Illinois Hsg Dev Auth homeowner mtg rev bnds 2005 Subser A-3		
Long Term Rating	AA/A-1+/Stable	Affirmed

Ratings Detail (As Of August 26, 2013) (cont.)		
Illinois Hsg Dev Auth hsg bnds		
Long Term Rating	AA/Stable	Affirmed
Illinois Hsg Dev Auth resid mtg rev bnds ser 1987B-D		
Long Term Rating	AA/Stable	Affirmed
Illinois Hsg Dev Auth resid mtg rev bnds ser 83 A B 84 B 85 A		
Long Term Rating	AA/Stable	Affirmed
Illinois Hsg Dev Auth sin fam initiative bnds ser 2009		
Long Term Rating	AA/Stable	Affirmed
Illinois Hsg Dev Auth taxable homeowner mtg		
Long Term Rating	AA/Stable	Affirmed
Illinois Hsg Dev Auth var rt homeowner mtg rev bnds ser 2004 C-3		
Long Term Rating	AA/A-1+/Stable	Affirmed
Illinois Hsg Dev Auth Homeowner Mtg var (tax-exempt)		
Long Term Rating	AA/Stable	Affirmed
Illinois Hsg Dev Auth homeowner mtg rev bnds ser 1998A		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Illinois Hsg Dev Auth homeowner mtg 2000 C-4		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Illinois Hsg Dev Auth hsg		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Illinois Hsg Dev Auth hsg bnds		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Illinois Hsg Dev Auth hsg bnds ser 1999A		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Illinois Hsg Dev Auth hsg bnds VRDB ser 2004B		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Long Term Rating	AA/A-1+/Stable	Affirmed

Many issues are enhanced by bond insurance.