Fitch Affirms Illinois Housing Development Auth's GO Pledge Rating at 'AA-'; Outlook Stable

27 Nov 2013 10:06 AM (EST)

Fitch Ratings-New York: 27 November 2013: Fitch Ratings affirms Illinois Housing Development Authority's (IHDA) general obligation (GO) rating at 'AA-'.

The Rating Outlook is Stable.

SECURITY

IHDA's GO pledge is backed by its full faith and credit pledge of its administrative fund.

KEY RATING DRIVERS

INCREASING FINANCIAL POSITION: In recent fiscal years, IHDA has consistently reported operating profits, lowered their debt-to-equity position, and increased profitability ratios.

DECLINING GO EXPOSURE: As of March 31, 2013, IHDA's GO exposure has declined to approximately $570 million which is significantly lower than the $865 million exposure IHDA had in 2006.

STRONG MANAGEMENT OVERSIGHT: Management has a successful history of administering both single family and multifamily programs.

MINIMAL VARIABLE-RATE DEBT: IHDA has maintained a low exposure to variable rate debt obligations in comparison to its peers which is viewed as a credit positive.

SOUND INVESTMENTS: Management maintains conservative investment strategies as evidenced by IHDA's safe and liquid investments.

WEAK SINGLE-FAMILY MORTGAGE PERFORMANCE: The state of Illinois continues to have high foreclosure rates, delinquency rates, and unemployment rates above national averages.

RATING SENSITIVITIES

UNANTICIPATED PROGRAM LOSSES: Although remote given high overcollateralization levels, should program losses be higher than anticipated and begin to deteriorate excess assets there could be negative pressure on IHDA's GO rating.

MIX OF STRONG FINANCIALS AND DECLINING GO EXPOSURE: The continuation of strong financial performance and declining GO exposure would be viewed as a credit positive.

CREDIT PROFILE

The rating, while not assigned to any specific debt, represents an overall analysis of the authority's ability to meet its GO pledges. The affirmation primarily reflects IHDA's declining GO exposure, strong financial position, sufficient reserve levels, and successful management team. As of March 31, 2013, IHDA's GO exposure has declined to approximately $570 million.


11/27/2013
IHDA has consistently demonstrated a strong financial position in recent fiscal years (FYS). In FY 2013, IHDA lowered its Fitch-adjusted debt to equity ratio to 3.1x which is significantly lower than the 10-year median for all 51 SHFAs of 5.6x.

IHDA decreased its debt outstanding to approximately $1.45 billion in FY 2013 from $1.51 billion in FY 2012 which marks a third consecutive year of decreases. Additionally, IHDA increased its net interest spread in FY 2013 to 24.5% from 15.3% in FY 2012. In recent years, IHDA has consistently reported positive operating profits despite adverse housing conditions.

IHDA's management has a successful history of administering both single family and multifamily programs. Additionally, management has maintained a low exposure to variable rate debt obligations in comparison to its peers which is viewed as a credit positive. As of June 30, 2013, IHDA had approximately 5% of debt outstanding in variable rate mode which is significantly lower than the average for all 51 SHFAs of 32%.

Credit concerns stem from the weak single-family housing market in the state of Illinois as the state continues to have high foreclosure rates, delinquency rates, and unemployment rates above national averages. Overall, IHDA's multifamily program is performing well, however, single-family program loans are experiencing delinquency rates higher than national averages. Concerns over the single family portfolio are mitigated by current program reserve levels. However, should the state's weak housing market continue and program losses are higher than anticipated, there could be negative pressure on IHDA's GO rating.

Contact:

Primary Analyst
Ryan J. Pami
Analyst
Fitch Ratings, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Charles Giordano
Senior Director
+1-212-908-0607

Committee Chairperson
Maura McGuigan
Senior Director
+1 212-908-0591

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Research and Criteria:
--‘State Housing Finance Agencies General Obligation Rating Criteria’, dated March 11, 2013;
--‘Revenue-Supported Rating Criteria, dated June 03, 2013.

Applicable Criteria and Related Research:
State Housing Finance Agencies General Obligation Rating Criteria
Revenue-Supported Rating Criteria

Additional Disclosure
Solicitation Status

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS
FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2013 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries.