



Rating Action: Moody's upgrades IL Housing Development Authority to Aa3, outlook stable

12 Oct 2023

New York, October 12, 2023 -- Moody's Investors Service (Moody's) has upgraded the issuer rating of the Illinois Housing Development Authority (IHDA) to Aa3 from A1. No outstanding debt is affected by this rating upgrade. IHDA has approximately \$2.7 billion of bonds and notes outstanding as of June 30, 2023. The outlook is stable.

RATINGS RATIONALE

The upgrade to Aa3 reflects a mortgage portfolio with significant improvements in credit quality, enhanced creditworthiness of the State of Illinois (A3 stable) and strengthened management that successfully implement effective strategies. As of June 30, 2023, about 78% of IHDA's mortgage portfolio is comprised of high quality single-family mortgage-backed security (MBS), and 14% are multifamily loans participating in US Department of Housing and Urban Development (HUD)'s Risk-Sharing program. IHDA's 2022 asset-to-debt ratio was 1.56x, with a high 49% margin.

Additionally, we consider strengthened governance a key consideration in this rating action, under our environmental, social and governance (ESG) framework. IHDA's governance risk is neutral to low (G-2), reflecting well-established governance practices, a successful track record of risk management and generally conservative financial policies.

RATING OUTLOOK

The stable outlook is based on IHDA's financial and portfolio strength, along with our expectation that IHDA's financial attributes and risk profile will remain consistent with the Aa3 rating level.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- A considerable and continued improvement in IHDA's financial position and performance, while preserving a comparable risk profile
- Continued enhanced creditworthiness of the State of Illinois

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Significant deterioration of credit quality in IHDA's mortgage loan portfolio
- Substantial erosion of IHDA's asset-to-debt ratio and profit margins, coupled with a substantially weakened risk profile

LEGAL SECURITY

IHDA's full faith and credit, reinforced by all unrestricted revenues and assets on its balance sheet, underpin its security pledge. IHDA has no taxing power. IHDA has no taxing power.

PROFILE

IHDA, an independent body and a corporation of the state, was established to fulfill affordable housing mission within the state of Illinois. IHDA achieves such mission through the creation and preservation of affordable rental housing units, as well as by providing affordable single-family mortgages to mid-and-low income families in the state. IHDA

currently has a staff of 350, in areas of finance, accounting, underwriting, servicing, housing development, market analysis, construction and housing marketing/management.

IHDA is not subject annual appropriation from the State. The State of Illinois views IHDA as a trusting partner and maintains a strong relationship with IHDA. In IHDA's 55-year history, it has not been asked to transfer any reserves from either its general fund or bond programs to the State. Additionally, such state transfer requests are not anticipated in the foreseeable future. Should this change, Moody's would assess the impact, if any, on IHDA's issuer rating.

METHODOLOGY

The principal methodology used in this rating was US Housing Finance Agency Issuer Ratings Methodology published in October 2019 and available at <https://ratings.moodys.com/rmc-documents/62559>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1355824.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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