

**CREDIT OPINION**

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# Il. Hous. Dev. Auth., Rev. Bnds

## Update to credit analysis

### Summary

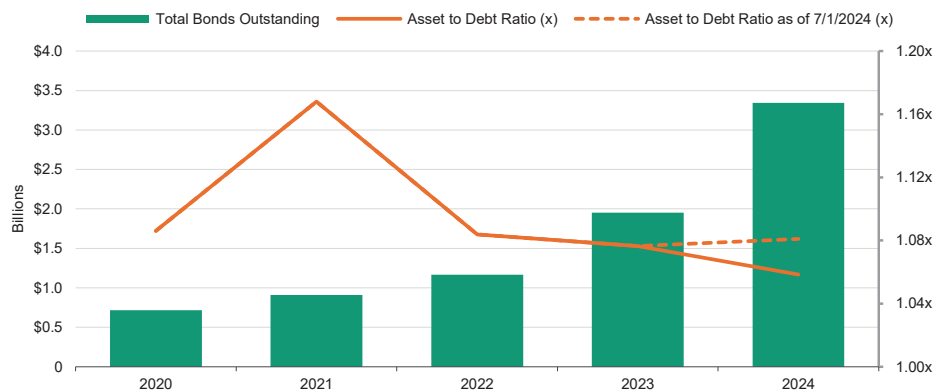
The [Revenue Bonds](#) (RB or Program; Aaa stable) of [Illinois Housing Development Authority](#) (IHDA; Aa3 stable) will uphold its strong performance. As of 6/30/2024, the RB's program asset to debt ratio (PADR) was 1.058x, with a fund balance of about \$193 million, or 6% of bonds outstanding. RB's 2024 margin was 8.7% and averaged 6.7% over three years. On 7/1/2024, IHDA transferred \$75 million from other indentures into the RB program to support future program needs. With this transfer, RB's PADR increased to 1.081x.

The RB program features a profitable mortgage portfolio that consists of high quality Government National Mortgage Association (Ginnie Mae), [Federal National Mortgage Association](#) (Fannie Mae; Aaa/P-1 negative) and [Federal Home Loan Mortgage Association](#) (Freddie Mac; Aaa/P-1 negative) single family mortgage backed securities (MBS). The superior security from the MBS portfolio compliments a sound legal structure and cashflows that demonstrate sufficient revenues meeting debt service timely in all stress scenarios.

The vigilant supervision from a capable and proactive management team will ensure consistent operating results and sustained bond issuance in the RB program. Given the RB loan portfolio's reliance on federal guarantees, its credit quality is closely tied to the credit quality of the [US government](#) (Aaa negative). However, RB's strong financial position currently mitigates this risk.

Exhibit 1

**The RB program had significant growth in bonds outstanding as of 6/30**



RB's PADR as of 7/1/2024 incorporates the \$75 million transfer from IHDA  
Source: Moody's Ratings and IHDA audits

## Credit strengths

- » Consistent solid financial performance (1.081x PADR as of 7/1/24) and a satisfactory 9% margin in 2024
- » MBS portfolio provides superior bondholder security
- » The proactive management team at IHDA will strive to maintain the strong RB financial performance

## Credit challenges

- » Significant counterparty exposure to the US government (Aaa negative). While RB's strong financial position currently mitigates this risk, sustained issuance will likely result in future PADR dilution and pressure on margins
- » Ability to continue originating single-family mortgages in a market characterized by high interest rates and limited affordable housing stock

## Rating outlook

The stable outlook is based on RB program's consistent performance which will continue in 2025. Continuing active issuance will likely result in future PADR dilution and pressure on margins, however, the full-spread MBS previously added to the RB portfolio will continue to boost income.

## Factors that could lead to an upgrade

- » N/A

## Factors that could lead to a downgrade

- » Substantial deterioration in MBS credit quality due to significant downgrades of the US Government rating, combined with on-going PADR and margin deterioration
- » Significant erosion of the RB program's financial performance, including its PADR dropping significantly below the current level, and the average margin consistently below 5%

## Key indicators

Exhibit 2

IL Hous. Dev. Auth., Rev. Bnds

Key Indicators	2020	2021	2022	2023	2024
Total Bonds Outstanding (\$000)	715,763	909,156	1,166,020	1,951,343	3,342,273
Asset to Debt Ratio (x)	1.09x	1.17x	1.08x	1.08x	1.06x
Margins	23%	22%	5%	6%	9%
Variable Rate Debt as a % of Bonds Outstanding	4%	8%	11%	13%	12%
Swapped Debt as a % of Variable Rate Debt	100%	100%	100%	100%	100%

Source: Moody's Ratings and IHDA audits

## Profile

Bonds issued under the RB program are special limited obligations of IHDA. Proceeds are used to finance IHDA's single-family mortgages and promote affordable housing for moderate-and-low income families in the State of Illinois. As of January 31, 2025, there were approximately \$4 billion (unaudited) of RB bonds outstanding. All outstanding RB bonds are secured equally by all pledged assets. IHDA has no taxing power.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

## Detailed credit considerations

### Loan Portfolio: MBS ensures excellent bondholder protection

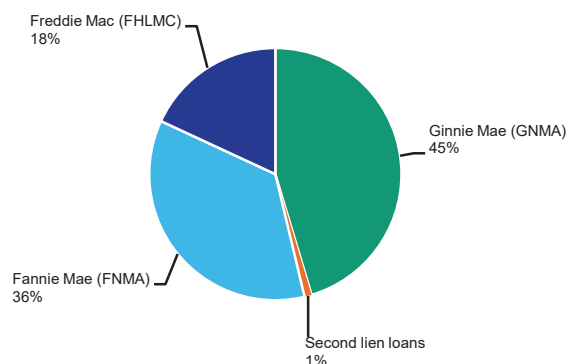
Federal loan enhancement will ensure ongoing strong performance of the RB portfolio. MBS is the highest quality collateral because Ginnie Mae, Fannie Mae and Freddie Mac guarantee full and timely payments irrespective of underlying mortgage loan performance. As a result, MBS shields RB bonds from cash flow disruptions and losses associating with loan defaults, but they also introduce significant counterparty exposure to the US government.

As of Q2 2024, there were no junior-lien DPA loans in the RB program. However, this changed on 7/1/2024, when IHDA transferred DPA funds into the RB program, along with DPA loans that were previously on its balance sheet. The additional DPA funds transferred from IHDA's general fund are intended to remain a revolving fund to finance DPA loans supporting IHDA's single-family financing needs.

Additionally, IHDA began financing DPA loans with bond proceeds in the second half of 2024. At the end of 2024, there were about \$36 million of DPA loans in the RB program. The DPA loans are pledged.

Exhibit 3

#### RB's mortgage collateral as of December 31, 2024



Source: IHDA

### Financial Position and Performance: strong financial position and solid operating performance will continue

The RB program's strong financial position and bond issuance is set to remain in 2025-26. The RB program's margin increased further in 2024 because the full-spread MBS previously added began to boost income. RB's PADR has been declining due to increased issuance recently. However, this trend will reverse in 2025 as a result of the \$75 million transfer from other indentures. IHDA plans to continue the active issuance in the RB program which may cause future PADR dilution.

#### Liquidity: cash flow projections demonstrate full and timely debt service payment

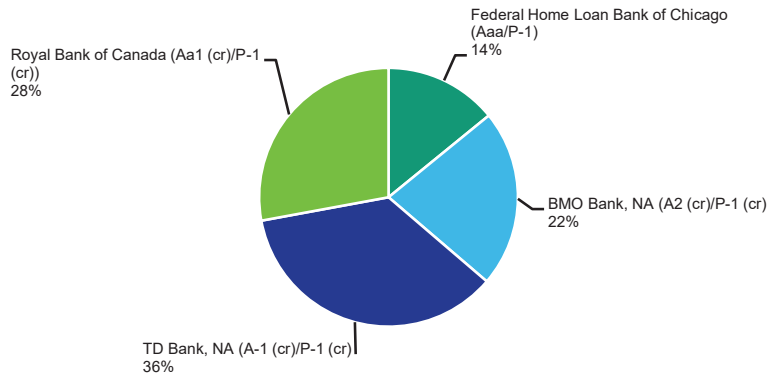
Consolidated cash flow projections for the RB program demonstrate ample program revenues for timely debt service in all stress scenarios. Cash flow projections incorporate stress tests for prepayment speeds, interest rates, risks associated with swaps and assume a portion of the variable rate bonds become bank bonds.

#### Debt structure: 12% variable rate debt

RB's strong financial and liquidity position allows it to tolerate risks of variable rate debt. As of 12/31/2024, about 12% (approximately \$496 million) were variable rate demand obligations (VRDO), for which bondholders have optional tender rights and are supported by external liquidity facilities (SBPA). SBPA providers are obligated to purchase unsold bonds in the event of a failed remarketing. Under some circumstances, SBPA providers can terminate or suspend their obligations to purchase bonds without notice. The likelihood of these events occurring is remote. Other termination events only become effective after sufficient notice is given, allowing for a tender of VRDOs.

Four institutions provide VRDO liquidity support in the RB program (exhibit 4)

Exhibit 4  
**Liquidity providers in the RB program**  
 as of 12/31/2024



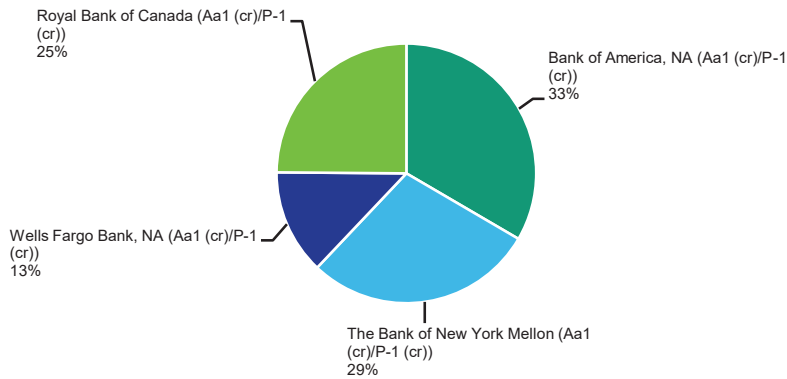
Source: IHDA

**Debt-related derivatives**

RB's variable rate debt is fully hedged with interest rate swaps and this will continue when IHDA issues new variable rate bonds. At Q4 2024, there were four swap counterparties (Exhibit 5) to which IHDA makes fixed rate payments and receives floating rate payments from.

Interest rate swaps are not a perfect hedge because variable rate bonds remain subject to basis risk, tax risk, amortization risk, counterparty risk and termination risk. IHDA's proactive management of its swap portfolio minimizes these risks.

Exhibit 5  
**Swap counterparties in the RB program**  
 as of 12/31/2024



Source: IHDA

**Pensions and OPEB**

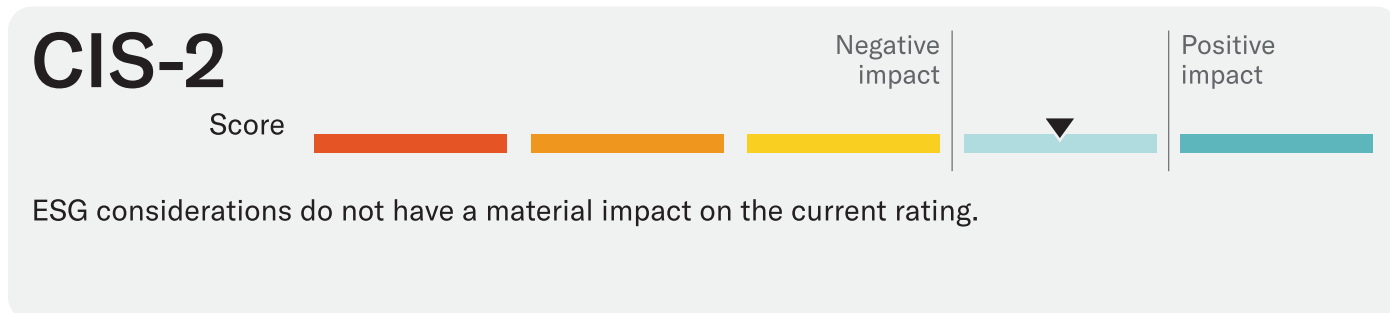
Not a material consideration

## ESG considerations

### II. Hous. Dev. Auth., Rev. Bnds' ESG credit impact score is CIS-2

Exhibit 6

#### ESG credit impact score



Source: Moody's Ratings

Illinois Housing Development Authority (IHDA) Revenue Bonds' (RB) ESG credit impact score is neutral-to-low (**CIS-2**). RB has low-to-neutral environmental, social and governance risk exposures.

Exhibit 7

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Due to the state's location, RB's financed housing is not vulnerable to tropical storms or rising sea levels. According to data from Moody's ESG Solutions, the state's counties' average projected rate of change in five climate risk factors, when weighted by county GDP, is near the median of the 50 states. Cook County, the most populated county in the state, is projected to have high heat risk, water stress risk and rainfall risk, according to Moody's ESG Solutions. Additionally, the strength of the collateral pledged to bondholders, which includes various mortgage enhancements such as mortgage securitization, mortgage insurance and HUD's Risk-sharing, serve as a buffer against potential loan losses.

### Social

Consistent with the rest of the HFA sector, IHDA has a mission to provide affordable housing within the state which guides its lending strategy and its relationships with borrowers and government entities. These prudent lending practices and strong relationships lead to high scores within the HFA sector for both responsible production and customer relations. In addition, while population decline is a statewide challenge, other key housing drivers such as affordability and employment are favorable factors, supporting RB's **S-2** score.

### Governance

Reflects well-established governance practices, a successful track record of risk management and generally conservative financial policies. Senior management, although not tenured, is experienced and has a good understanding of risks and challenges facing their operations. Additionally, IHDA has developed succession and strategic plans, including a Continuity of Operations Plan to ensure that it is able to perform its essential services in the event of an emergency. Board composition is suitable and policies and procedures allow for decision making that enables the HFA to balance mission and interests of competing stakeholders, including creditors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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