

CREDIT OPINION

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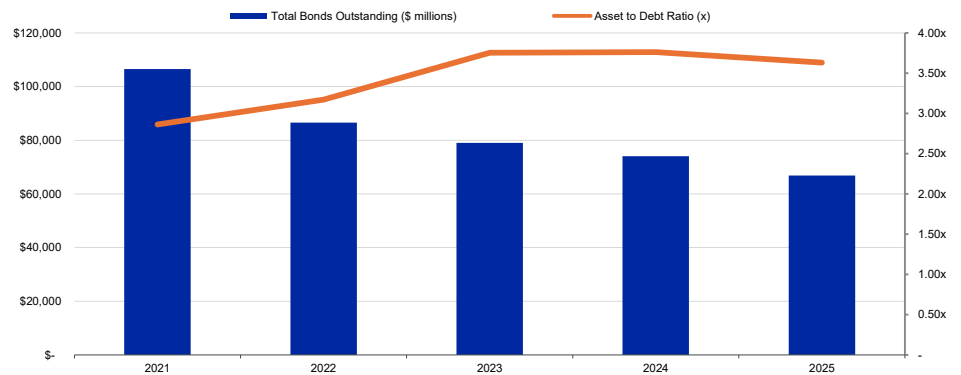
Illinois HDA - Housing Bond Program

Update to credit analysis following upgrade

Summary

The [Illinois Housing Development Authority's](#) (IHDA; Aa3 positive) [Housing Bonds Program](#) (HB; Aa2 stable) will maintain its robust financial position and strong credit profile as the program remains in runoff. As of June 30, 2025, HB's program asset-to-debt ratio (PADR) was 3.6x, with a fund balance of \$176 million or 264% of bonds outstanding. After capital charges, the risk-adjusted PADR was 3.3x. Liquidity remained strong, with \$128 million in cash and investments, compared to \$67 million of bonds outstanding at Q2 2025. Approximately 42% of the HB portfolio consists of FHA Risk-share loans. While the remainder is uninsured, about 80% of the HB loans have Section 8 subsidies that are coterminous to bond maturities, enhancing cashflow and payment stability. The HB program, which was 99% variable rate debt as of Q2 2025, has high interest rate risk, although 22% of the variable rate debt is hedged with interest rate caps. These risks are mitigated by the strong liquidity position and IHDA's general obligation pledge, which provides support beyond pledged program revenues. The vigilant supervision from a capable and proactive management team will ensure consistently strong operating results in the HB program.

Exhibit 1
Strong financial position will continue as HB remains in run-off



Source: Moody's Ratings and IHDA

Credit strengths

- » Consistent and strong financial performance, evidenced by a FY25 PADR of 3.6x and a three year average margin of 62%
- » Ample liquidity, with cash and cash equivalent of approximately \$120 million as of Dec. 31, 2025, provides a meaningful buffer against interest rate risk
- » Bonds are general obligations of IHDA, providing additional security beyond pledged program revenues
- » Experienced management team with well-established governance practices and a strong track record of financial and risk management

Credit challenges

- » As of Dec. 31, 2025, 99% of bonds outstanding were variable rate demand obligations (VRDO), elevating exposure to interest rate and liquidity risks; this is offset by HB's strong liquidity position
- » Most of the VRDOs are unhedged; with a small portion hedged with interest rate caps
- » Significant concentration risk to the Federal Home Loan Bank of Chicago (Aa1/P-1), as the sole liquidity facility provider for the VRDOs
- » Approximately 58% of loans were uninsured at the end of 2025

Rating outlook

The stable outlook reflects HB's strong financial position and performance, evidenced by a high three year average margin of 62% and risk-adjusted PADR of 3.3x, which will continue as the program remains in run-off.

Factors that could lead to an upgrade

- » Significant reduction in variable rate exposure to below 20%, while maintaining strong PADR and margins
- » Continued maintenance of robust balance sheet resources and operating performance, combined with substantially improved portfolio credit quality and strong portfolio performance

Factors that could lead to a downgrade

- » A highly unlikely substantial erosion of the risk-adjusted PADR to below 1.02x and margins below 8%
- » A severe economic downturn causing significant losses in HB's uninsured loans, and substantially weakened counterparty credit quality and liquidity position
- » Substantially impaired liquidity position as a result of fund transfers out of the program

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's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Illinois HDA - Housing Bond Program

	2021	2022	2023	2024	2025
Total Bonds Outstanding (\$000)	\$ 106,511	\$ 86,575	\$ 79,055	\$ 74,060	\$ 66,895
Asset-to-Debt Ratio	2.86x	3.17x	3.75x	3.76x	3.63x
Margins	55%	51%	65%	70%	52%
Variable Rate Debt as a % of Bonds Outstanding	75%	93%	95%	97%	99%
Hedged Debt as a % of Variable Rate Debt*	19%	19%	20%	21%	22%

*Percentage of variable rate debt hedged with interest rate caps.

Source: Moody's Ratings and IHDA

Profile

IHDA was created in 1967 to finance affordable housing throughout the State of Illinois. The HB program finances multifamily rental housing through mortgage loans secured by income producing properties and benefits from IHDA's general obligation, in addition to pledged program assets and revenues. The Transferred Cash Component (TCC) Account, while established under the HB program, is excluded from our HB credit analysis.

Detailed credit considerations

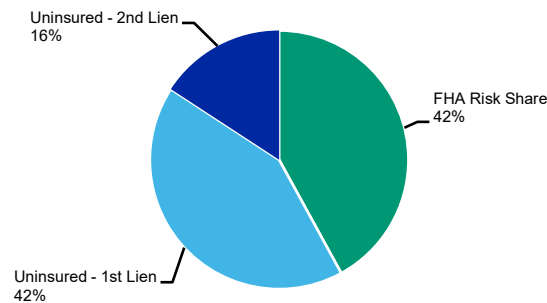
Loan portfolio: Stable loan performance supported by Section 8 and FHA Risk-Share Insurance

As of Dec. 31, 2025, approximately 42% of HB loans are supported by FHA Risk-Share insurance, with the remainder is uninsured. Strong seasoning and Section 8 subsidies have supported stable performance, with 97% of loans being current at the end of 2025. About 80% of HB loans are supported by Section 8 subsidies that are coterminous with their related bond maturities.

Exhibit 3

Exposure to uninsured loans increases dependence on program financial strength and liquidity

As of Dec. 31, 2025

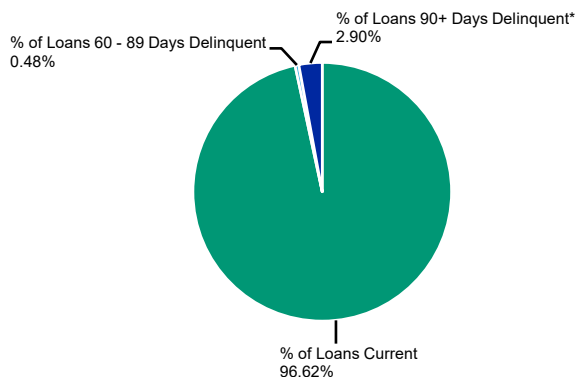


Source: IHDA

Exhibit 4

Strong portfolio performance

As of Dec. 31, 2025



Source: IHDA

Financial position and bond program structure: Strong financial performance will continue

The HB program's financial position is strong, evidenced by a 2025 PADR of 3.63x and a 52% margin, which will continue as the program remains in run-off. IHDA transferred \$39.4 million from the HB program in July 2024 to support other program needs; no further transfers are planned at this time. As of Dec. 31, 2025, HB held about \$120 million of cash and cash equivalent, providing a natural hedge to the RB program's interest rate risk on \$63 million of VRDO outstanding.

Liquidity

Liquidity remains ample, with approximately \$120 million of cash providing a meaningful buffer against variable rate exposure at the end of 2025. Consolidated cash flow projections for the HB program indicate strong program revenues sufficient for timely debt service under 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

As of Dec. 31, 2025, 99% of HB outstanding debt is VRDO, which heightens exposure to interest rate and liquidity risks. The [Federal Home Loan Bank of Chicago](#) (Aa1/P-1) is the sole liquidity facility provider in the HB program.

Debt-related derivatives

[Barclays Bank PLC](#) (A1(cr)/P-1(cr)) provides interest rate caps on about 22% of the HB VRDOs, which provides limited protection against the overall interest rate risk exposure.

ESG considerations**Environmental**

Environmental risks to Illinois HDA - Housing Bond Program are the same faced by Illinois Housing Development Authority as a whole. For further information on those risks, please refer to the IL HDA landing page on [Moody's.com](#).

Social

Social risks to Illinois HDA - Housing Bond Program are the same faced by Illinois Housing Development Authority as a whole. For further information on those risks, please refer to the IL HDA landing page on [Moody's.com](#).

Governance

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Rating methodology and scorecard factors

The [US Housing Finance Agency Multifamily](#) rating methodology includes a scorecard that summarizes the factors that are generally most important to multifamily housing credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating.

Exhibit 5

Illinois HDA - Housing Bonds

Rating Factors	Weight	Score
Financial Position (45%)		
Balance Sheet Strength	20%	Aaa
Cash Flow Projections	15%	Aaa
Financial Performance	10%	Aaa
Loan Portfolio (25%)		
Portfolio Performance	10%	A
Portfolio Characteristics	5%	Baa
Mortgage Type	5%	Aa
State and Local Real Estate Conditions	5%	Aa
Bond Program Structure (15%)		
Variable Rate Debt	10%	Ba
Counterparties	5%	Aaa
Management and Governance (15%)		
Management and Governance	15%	Aa
Scorecard-Indicated Outcome		
		Aa2
Assigned Rating		
		Aa2

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

Source: Moody's Ratings

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