

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to IL Housing Dev. Auth.'s Multifamily Revenue Bonds, 2024 Series I, outlook stable

03 Dec 2024

New York, December 03, 2024 -- Moody's Ratings (Moody's) has assigned a Aaa rating to the proposed \$5.195 million Illinois Housing Development Authority's (IHDA) Multifamily Revenue Bonds, 2024 Series I (Non AMT) (2024 Bonds). The 2024 Bonds will be issued under the Multifamily Revenue Bonds General Indenture dated as of September 1, 2016 (MFRB). Additionally, we have maintained Aaa ratings on all outstanding MFRB parity debt. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the MFRB's strong performance (1.13x asset-to-debt ratio (PADR), with a 3-year average margin of 23%), high quality FHA Risk-Sharing insurance on the pledged loans, sufficiently-sized debt service reserve and cash flow projections that demonstrate full and timely debt service payments.

RATING OUTLOOK

The stable outlook is based on the MFRB's strong financial performance (1.13x PADR, and a 23% 3-year average margin) that will remain in 2024.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Substantial erosion of MFRB's PADR to below 1x, coupled with a decrease in the 3-year average profit margin to below 5%.

- Downgrade of the US government's rating, coinciding with projected cashflow insufficiency or asset to debt ratio falling below 1.0x.

LEGAL SECURITY

MFRB bonds are special limited obligation of IHDA. IHDA pledges all revenues and assets under the General Indenture as the bondholder security. A debt service reserve fund (DSRF) ensures liquidity between a loan default until bond redemption, bridging the gap until FHA claim payments are received. FHA risk-sharing insurance covers the unpaid principal and interest from default to the claim payment date on insured loans.

USE OF PROCEEDS

The proceeds of the Bonds will be used to refund a conduit note issued by IHDA in 2021 for the acquisition/construction/equipping of Taft Homes, a 60-unit multifamily housing located in Peoria, Illinois. Upon refunding, the permanent mortgage loan will be insured under the FHA risk-sharing insurance program and pledged as collateral to the Bonds. IHDA will make the initial contribution to the DSRF established in the General Indenture.

PROFILE

The MFRB program was established in 2016. Bonds proceeds fund IHDA's multi-family mortgages, supporting affordable housing for moderate-and-low-income families in the State. As of October 31, 2024, there were approximately \$485 million (unaudited) MFRB parity debt outstanding. Bonds issued in 2016-17 were separately-secured and are not considered parity debt. IHDA has no taxing power.

METHODOLOGY

The principal methodology used in this rating was US Housing Finance Agency Multifamily published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418242>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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