

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aaa to IL Housing Dev. Auth.'s Revenue Bonds, 2024 Ser. I&J, outlook stable**

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06 Nov 2024

New York, November 06, 2024 -- Moody's Ratings (Moody's) has assigned Aaa ratings to the proposed \$200 million Illinois Housing Development Authority's (IHDA) Revenue Bonds, 2024 Series I (Non-AMT) (Social Bonds) and \$100 million Revenue Bonds, 2024 Series J (Taxable) (Social Bonds)(the "2024 Bonds"). The 2024 Bonds will be issued under the Revenue Bonds General Indenture dated as of March 1, 2016 (Program or RB). Additionally, we maintain Aaa ratings on all outstanding parity Revenue Bonds issued under the RB Program. The outlook is stable.

#### RATINGS RATIONALE

The Aaa ratings are based on the high-quality collateral comprised of Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities (MBS), a robust legal structure, cash flow projections that demonstrate sufficient revenues for timely debt service payments, and a strong oversight from IHDA's experienced management team.

#### RATING OUTLOOK

The stable outlook is based on RB program's consistent performance (1.08x program asset-to-debt ratio and a 3-year average margin of 11%) which will continue in 2024.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- N/A

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Substantial erosion of the Program's asset-to-debt ratio to below 1x, coupled with a decrease in the average profit margin to below 5%, and the proportion of variable rate debt surpassing 25% of outstanding RB debt.

- Downgrade of the US government's rating, coinciding with projected cashflow shortfalls within the next 5 years.

## LEGAL SECURITY

The 2024 Bonds are special limited obligations of IHDA, secured by all revenues and assets pledged under the RB General Indenture which consists primarily of bond proceeds, MBS, mortgage loans, investments and earnings. While the RB General Indenture establishes a Debt Service Reserve Fund, so long as bond proceeds are used to solely acquire MBS and no mortgage loans are financed, there will be no required deposit into the Debt Service Reserve Fund.

## USE OF PROCEEDS

Proceeds of the 2024 Bonds will be used to (1) purchase and/or reimburse IHDA for its prior purchase of MBS backed by pools of qualifying mortgages made to finance the purchase of affordable single-family residences in the State of Illinois (2) refund outstanding RB bonds, (3) fund second-lien loans for down payment or closing cost assistance, and (4) pay costs of issuance as well as lender fees and amounts required to terminate MBS hedging contracts. The second-lien loans financing down payment assistance or closing costs assistance will not be pledged to the RB Program.

## PROFILE

The bonds issued under the RB General Indenture 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 August 31, 2024, there were approximately \$3.8 billion (unaudited) of RB bonds outstanding. All outstanding RB bonds are secured equally by all pledged assets. IHDA has no taxing power.

## METHODOLOGY

The principal methodology used in these ratings was US Housing Finance Agency Single-Family Housing published in October 2024 and available at <https://ratings.moodys.com/rmc-documents/430701>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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