

**CREDIT OPINION**

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**Contacts**

Ping Hsieh +1.212.553.4461  
VP-Sr Credit Officer  
ping.hsieh@moodys.com

Omar Ouzidane +1.212.553.3892  
VP-Senior Analyst  
omar.ouzidane@moodys.com

Rachael Royal +1.212.553.4456  
McDonald  
Associate Managing Director  
rachael.mcdonald@moodys.com

Sonali Mehta +1.212.553.4801  
Ratings Associate  
sonali.mehta@moodys.com

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# Illinois HDA - Multi-Family Initiative Bonds

Update to credit analysis following outlook revision to negative

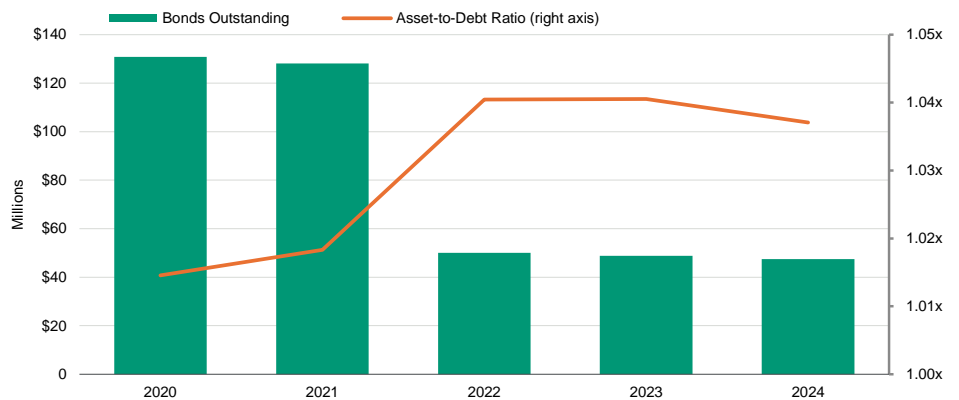
**Summary**

The [Multifamily Initiative Bonds](#) (MIB; Aaa negative) of [Illinois Housing Development Corporation](#) (IHDA; Aa3 stable) will maintain satisfactory financial position and operating performance. As of 6/30/2024, MIB's program asset to debt ratio (PADR) was 1.037x, with a fund balance of about \$1.8 million, or 4% of bonds outstanding. MIB's 2024 margin was 6.2% and averaged 5.6% over three years.

The MIB program features a high quality mortgage collateral (federal credit enhancement from Ginne Mae, FHA Risk-Sharing insurance and credit support from Freddie Mac and Fannie Mae), a sufficiently-sized debt service reserve, a solid legal framework and cash flow projections that exhibit full and timely debt service payments. However, given the MIB loan portfolio's reliance on federal guarantees, its credit quality is closely tied to the credit quality of the [US government](#) (Aaa negative).

On February 10, we changed the outlook of MIB to negative from stable.

Exhibit 1  
**MIB's PADR growth has been stagnant as of 6/30**



Source: Moody's Ratings and IHDA audited financial statements

## Credit strengths

- » Solid program financial performance, evidenced by a 1.037x PADR and a satisfactory 6% margin in 2024
- » High quality collateral consisting of loans and bonds with federal credit enhancement or insured under the FHA Risk-Sharing program
- » The proactive management team at IHDA will strive to maintain MIB's financial performance

## Credit challenges

- » Significant counterparty exposure to the US government
- » Ability to continue adding rental housing units in a market characterized by high interest rates and limited affordable housing stock

## Rating outlook

The negative outlook mirrors that of the US Government rating, highlighting MIB's reliance on the US Government as a financial backstop for the loan portfolio. As a result, MIB's credit quality is closely linked to the credit quality of the US government.

## Factors that could lead to an upgrade

- » N/A

## Factors that could lead to a downgrade

- » Downgrade of the US government rating
- » Significant erosion of MIB's financial performance including the PADR dropping below 1x and margin consistently below 2%, coinciding with projected cashflow shortfalls within the next five years

## Key indicators

Exhibit 2

### IHDA's Multifamily Initiative Bonds as of 6/30

Key Indicators	2020	2021	2022	2023	2024
Total Bonds Outstanding	130,850	128,089	50,020	48,780	47,470
Asset to Debt Ratio (x)	1.01	1.02	1.04	1.04	1.04
Margins	7%	10%	3%	7%	6%
Variable Rate Debt as a % of Bonds Outstanding	0%	0%	0%	0%	0%
Swapped Debt as a % of Variable Rate Debt	N/A	N/A	N/A	N/A	N/A

Source: Moody's Ratings and IHDA audited financial statements

## Profile

The MIB program was established in 2009. Bonds proceeds fund IHDA's multi-family mortgages, supporting affordable housing for moderate-and-low-income families in the State. IHDA has no taxing power. As of 12/31/2024, there were six series of MIB bonds outstanding totaling about \$46.8 million.

## Detailed credit considerations

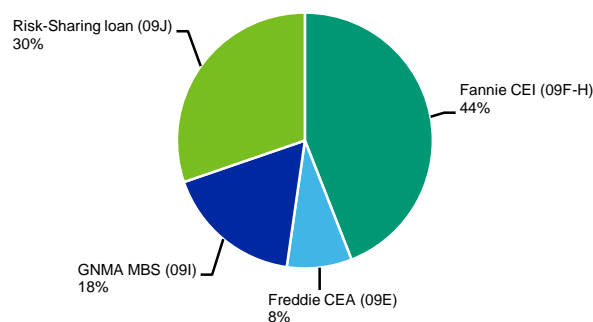
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### Loan Portfolio: federal credit enhancement and risk sharing insurance provides excellent bondholder protection

The federal credit enhancement and FHA risk-sharing insurance shield MIB from cash flow disruptions and losses associating with loan defaults, thereby ensuring ongoing portfolio performance. The MIB portfolio consists of four loans that benefit from Credit Enhancement Instrument/Agreements provided by Fannie Mae and Freddie Mac (GSE CEAs), one Ginnie Mae mortgage-backed security (GNMA MBS) and a multifamily loan with FHA Risk-Sharing insurance.

The GNMA MBS and GSE CEAs guarantee full and timely payments irrespective of underlying mortgage loan performance. The FHA risk-sharing insurance covers the unpaid principal and interest from default to the claim payment date on insured loans, shielding bondholders from potential loss. IHDA, incentivized by its obligation to partially reimburse FHA's claim payment (not an MIB program responsibility), actively monitors loan performance.

Exhibit 3  
**MIB Loan Portfolio**  
 as of 12/31/2024



Source: Illinois HDA

### Financial Position and Performance: solid financial performance will continue

The MIB program's solid financial performance will continue because the federal credit enhancement and FHA risk-sharing insurance shield MIB bonds from cash flow disruptions. In 2024, the MIB program had a 1.037x PADR and 6% margin (3-year average is also about 6%).

### Legal framework, covenants and debt structure

Of the six outstanding MIB bond series, the 2009 Series E bonds are backed by a Direct Pay Credit Enhancement Agreement from FHLMC (Freddie Mac CEA). The 2009 Series F, G and H bonds are secured by Standby Credit Enhancement Instruments from FNMA (Fannie Mae CEIs). The Freddie Mac CEA and Fannie Mae CEIs ensure timely bond payment to investors. The 2009 Series I GNMA mortgage-backed security (MBS) and the 2009 Series J FHA Risk-Sharing loan both guarantee timely mortgage payments regardless of performance of the underlying mortgages. Additionally, the Debt Service Reserve Fund provides liquidity in the event of a loan default, pending receipt of a claim payment from FHA and until redemption of the bonds.

### Liquidity

Consolidated cash flow projections for the MIB Program demonstrated ample program revenues for timely debt service in all stress scenarios. Cash flow projections incorporate stress tests for various prepayment scenarios.

### Legal security

The bonds are special limited revenue obligations of the IHDA payable from a pledge of the moneys and investments held in all funds and accounts established by the Trust Indenture.

### Debt structure

100% fixed rate bonds

**Debt-related derivatives**

None

**Pensions and OPEB**

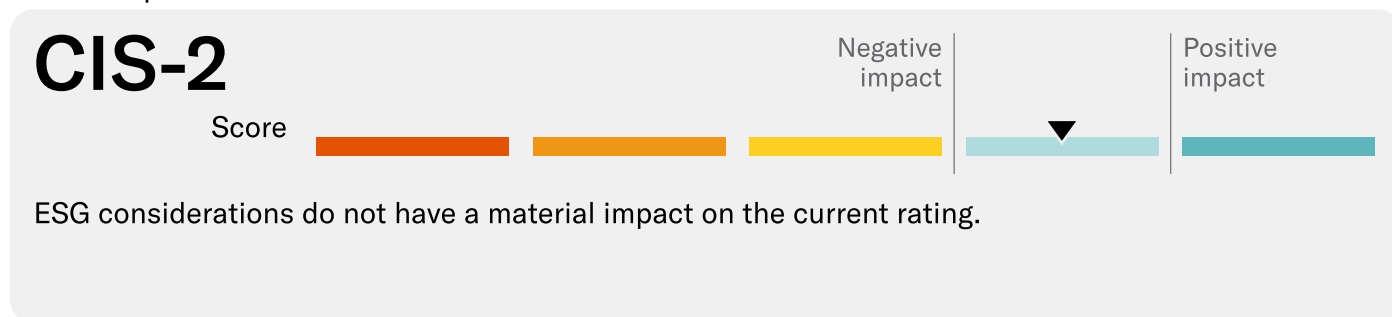
Not a material consideration.

**ESG considerations**

**Illinois HDA - Multi-Family Initiative Bonds' ESG credit impact score is CIS-2**

Exhibit 4

**ESG credit impact score**



Source: Moody's Ratings

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

Exhibit 5

**ESG issuer profile scores**



Source: Moody's Ratings

**Environmental**

Due to the state's location, MIB'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 MIB'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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