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NCSHA Boston 2023 - Benchmarking HFAs

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October 2023

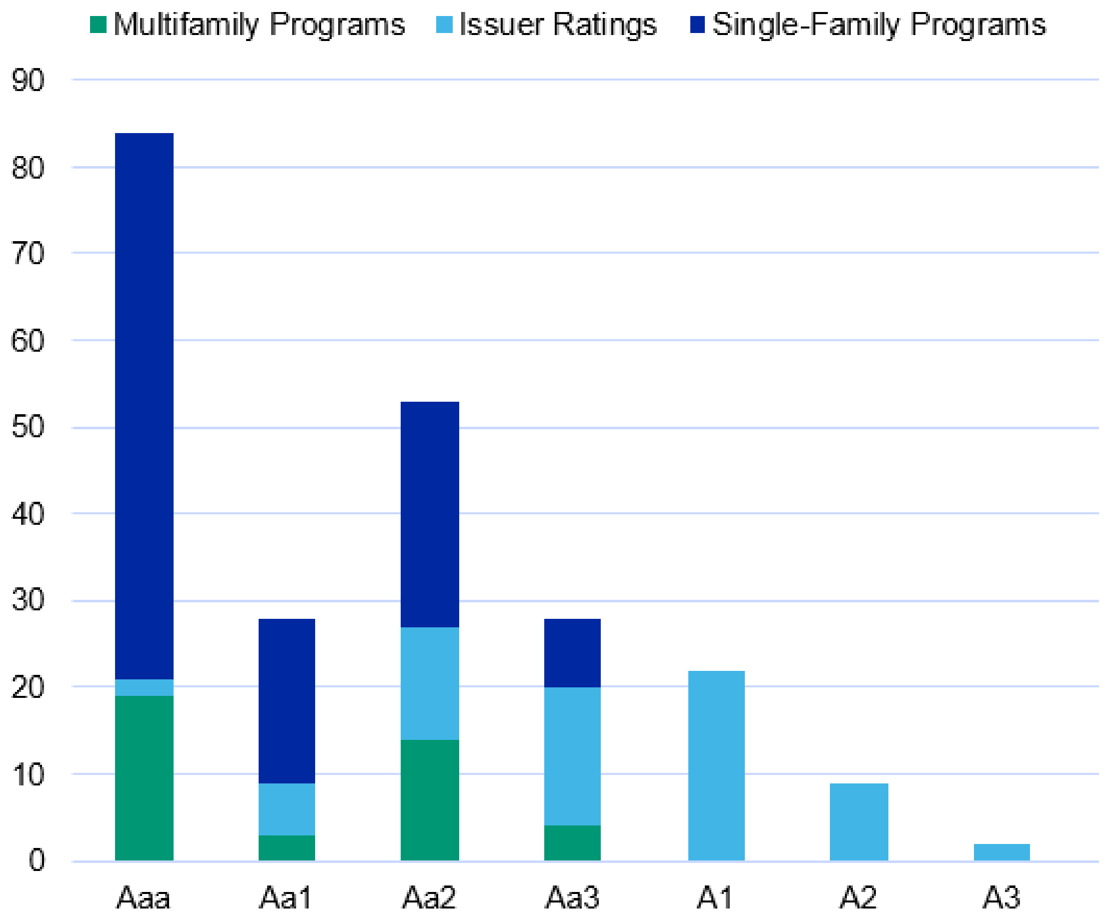
Rating distribution – HFAs

» **State HFAs maintain high investment grade ratings**

– Single family programs median rating: **Aaa**

– Multifamily programs median rating: **Aa1**

– Issuer ratings median rating: **Aa3**



Source: Moody's Investor Service

Credit factors of single family & multifamily programs

- **Financial Position (45%)**
  - Balance Sheet Strength
  - Cash Flow Projections
  - Historical Financial Performance
- **Loan Portfolio (25%)**
  - Portfolio Performance
  - Portfolio Characteristics
  - Mortgage Type
  - State and Local Real Estate Conditions
- **Bond Program Structure (15%)**
  - Variable Rate Debt
  - Counterparties
- **Management & Governance (15%)**

Credit factors of HFA issuer ratings

- **Financial Position (40%)**
  - Balance Sheet Strength
  - Operating Performance
- **Loan Portfolio (20%)**
  - Portfolio Performance
  - Portfolio Characteristics
- **Risk Profile (20%)**
  - Risk Position
  - Risk Management
- **Management & Operating Environment (20%)**
  - Management & Governance
  - Operating Environment

HFA ratings stable through many market cycles

- **HFAs ratings remained relatively stable and 100% investment grade during 2008 crisis**
  - High levels of overcollateralization absorbed stress case loan losses as delinquencies rose
  - Majority of loans were 30-year, fixed rate fully documented loans with strong underwriting (Gov't/MBS)
    - Borrowers are low-to-median income homeowners and developers of affordable multifamily housing
    - HFAs also offer down payment assistance to help homeowners with purchases
  - HFAs took action to unwind counterparty and variable rate risk and transfer assets to support indentures
- **No rating movement during COVID; sector outlook remained stable**
  - Federal support from unemployment insurance, homeowners' and rental assistance supported borrowers
  - High levels of loan originations off-set lost revenues due to loan forbearance
  - High demand for multifamily housing supports projects

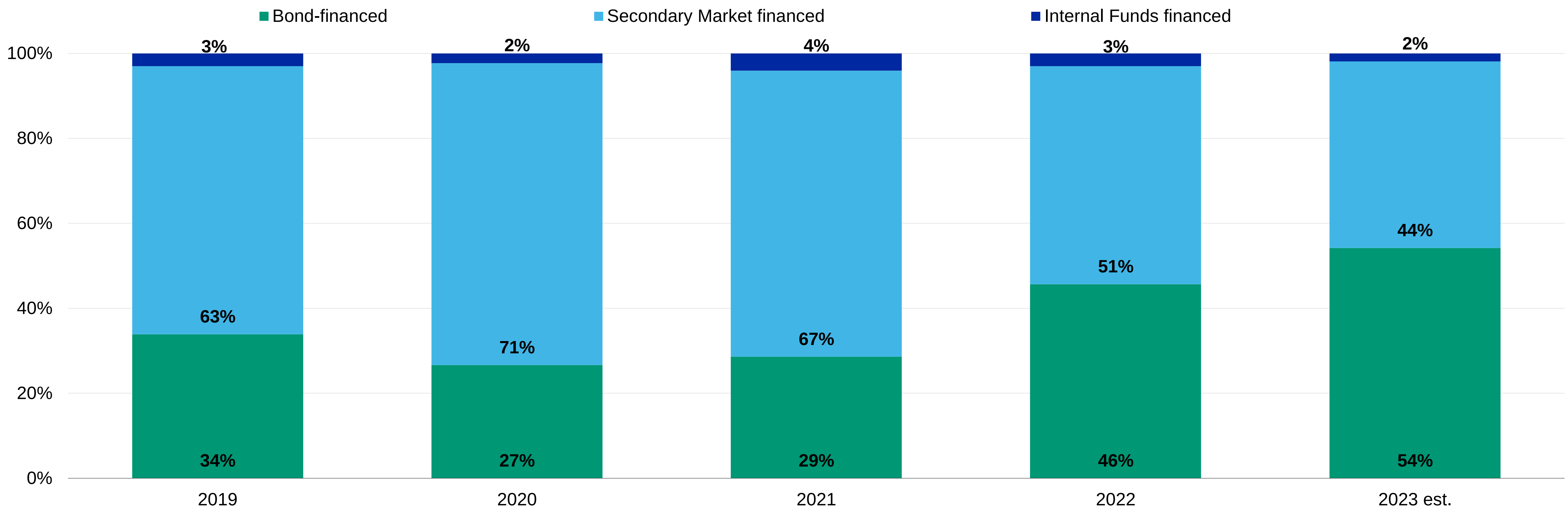
2023 HFA outlooks stable despite housing market challenges

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable

- Margins will remain healthy
- Single-family loan financings will remain solid
- Single-family portfolios can absorb higher delinquency rates
- Strong demand for affordable housing will support multifamily portfolios

Low housing affordability bolster originations

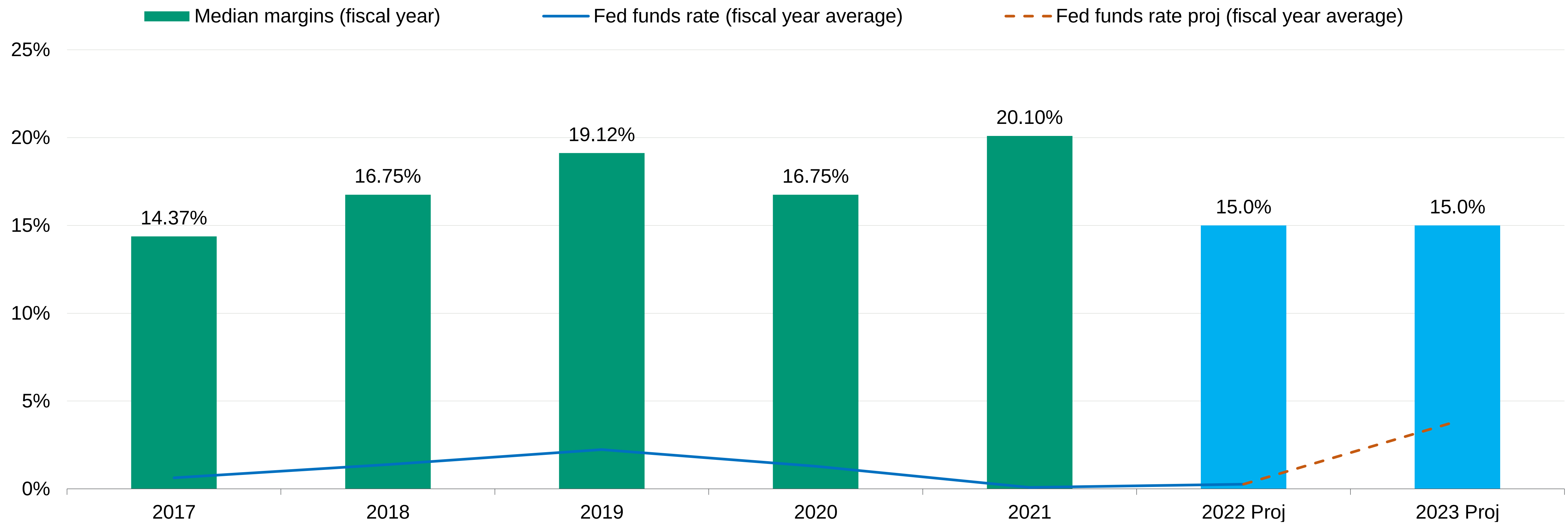
Despite high mortgage rates and home prices originations remain strong with MRBs offering HFAs competitive advantage



Source: Moody's HFA surveys

HFA margins will decline but remain healthy

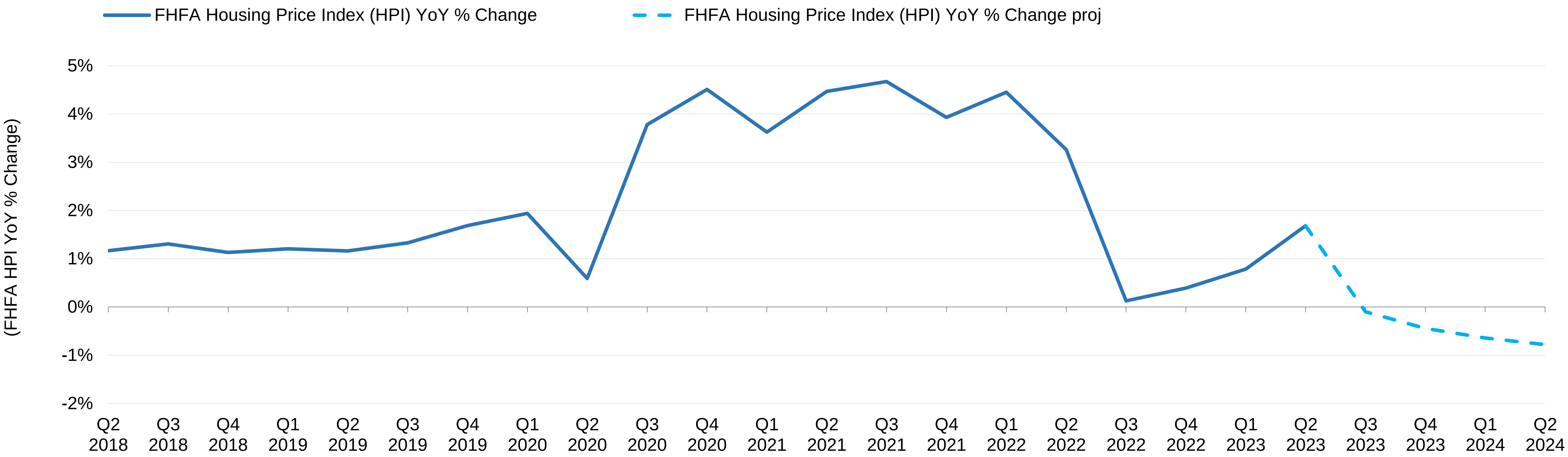
Sector wide median asset-to-debt ratios are high, providing excess collateralization
Issuer 1.44x; SF 1.25x; MF 1.18x



Sources: Moody's-adjusted audited financial statements; Federal Reserve; Moody's Analytics (May 2023 Macroboard Data)

Home price growth will slow in 2024

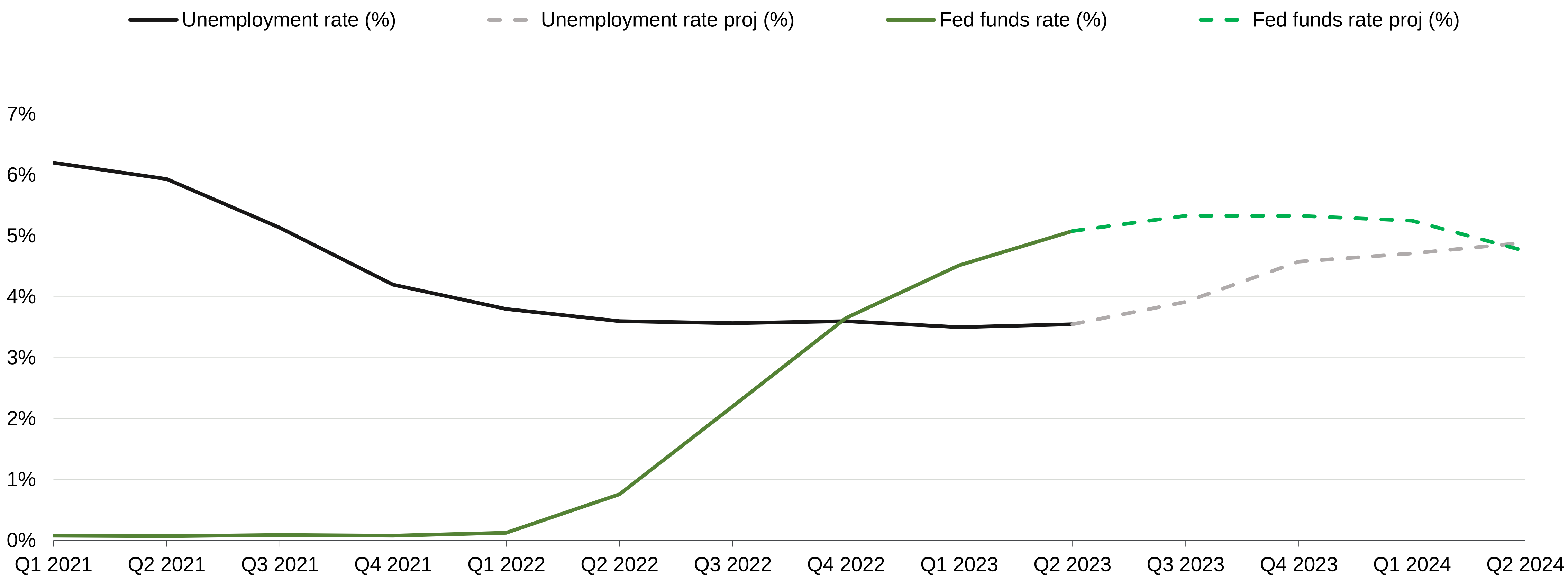
Home prices will remain above pre-covid levels; most homeowners will retain equity



House Price Index: U.S. Federal Housing Finance Agency (FHFA); Freddie Mac; Fannie Mae; Moody's Analytics Forecasted Baseline

Baseline unemployment won't cause high delinquencies

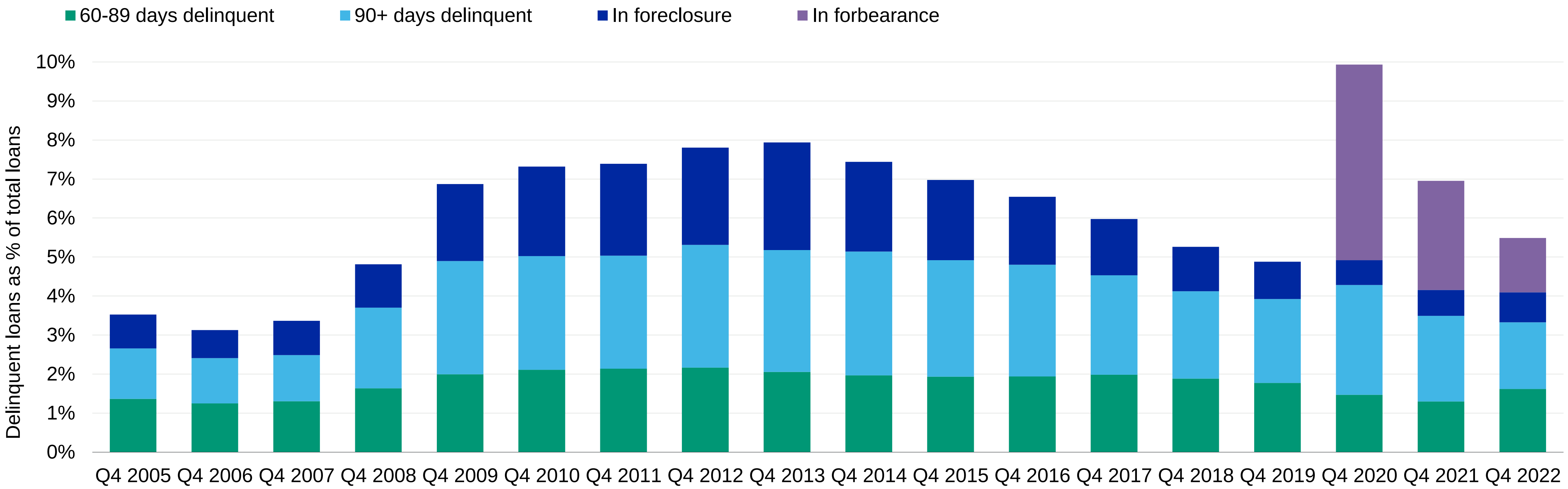
Rising investment income will help off-set rising delinquencies and lower loan sale income



Sources: US Bureau of Labor Statistics; Current Population Survey; Federal Reserve; Moody's Analytics

HFAs have room to absorb stress-case delinquencies

60% of HFA portfolio backed by MBS or by federal mortgage insurance; 18% low LTV
Rising investment income will help off-set rising delinquencies and lower loan sale income

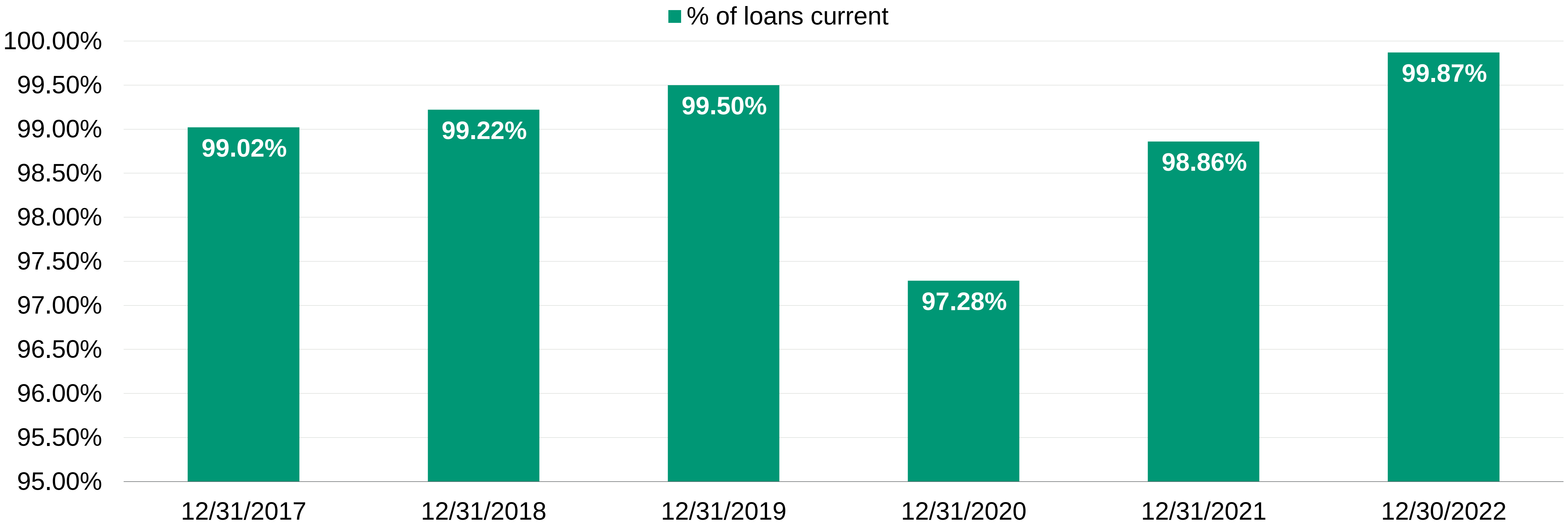


Sources: Moody's HFA Surveys

High demand for affordable rental housing supports multifamily portfolios

Inflation could lower debt service coverage of projects, but performance has been strong

Large percentage of the portfolio is credit-enhanced



HFAs continue to exhibit strong sector metrics

» **Issuer**
- Rating - Aa3
- PADR (program asset to debt ratio) – 1.44x
- Margin – 20%

» **Single Family Programs**
- Rating - Aaa
- PADR – 1.25x
- Margin – 19%

» **Multi-family Programs**
- Rating – Aa1
- PADR – 1.18x
- Margin – 28%

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Questions and Discussion

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Housing and State Revolving Funds