S&P Global Market Intelligence RatingsXpress® Credit Research

Texas Department of Housing & Community Affairs; Multifamily Multiple MBS; Single Family Multiple MBS

01-Jul-2022

Credit Profile

US$150.0 mil residential mtg rev bnds (Non-AMT) (Social Bonds) ser 2022B due 07/01/2034		
Long Term Rating	AA+/Stable	New
Texas Dept of Hsg & Comnty Affairs SFMULTMBS		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs (Resid Mtg Rev Bnd Trust Indenture)		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 88A		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 1998 B dtd 11/01/1998 due 01/01 & 07/01/2022		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 1998A dtd 11/01/1998 due 01/01 & 07/01/2003-2010 07/01/2002 2018 2029 2030 & 01/01/2030 2031		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 2001AB&C dtd 10/01/2001 due 01/01/2003-2012 2033 & 07/01/2015-2016 2022 2033		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev rfdg bnds ser 2003A dtd 07/01/2003 due 07/01/2013		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds ser 2021A due 01/01/2052		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds ser 2021B due 07/01/2042		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam bnds ser 2009A dtd 08/18/2009 due 01/01/2012-2019 2039 07/01/2011-2019 2024 2029 2034 2039		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam bnds ser 2009B dtd 08/18/2009 due 01/01/2010-2014 2018 07/01/2010 2014 2016-2019 2022		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam bnds ser 2009C-3 due 07/01/2041		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev bnds ser 2020A due 09/01/2050		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev rfdg bnds		

Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev rfdg bnds ser 2020B due 09/01/2050		
Long Term Rating	AA+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AA+' rating and stable outlook to **Texas Department of Housing & Community Affairs'** (TDHCA) series 2022B residential mortgage revenue bonds (RMRBs) and affirmed its 'AA+' rating on all bonds under the RMRB indenture. The outlook is stable.

TDHCA will issue the series 2022B bonds, with an expected par amount of $150 million, to purchase Ginnie Mae mortgage-backed securities (MBS).

The series 2022B senior-lien bonds are a limited obligation of TDHCA and payable solely from, and secured by, all funds pledged under the indenture. The bonds will be on parity with approximately $283.2 million of senior-lien bonds outstanding, as of Jan. 1, 2022. TDHCA also has $10 million in subordinate-lien notes outstanding.

Credit overview

The rating reflects our opinion of:

- The indenture's very strong resolution cash flows, showing an opening assets-to-liabilities (A/L) parity ratio of 109.63% and projected stressed low A/L parity ratio of 103.59% when including the subordinate lien loans;
- The bond program's cash-flow sufficiency and overcollateralization;
- The high-quality MBS assets, virtually all of which are either Ginnie Mae or Fannie Mae guaranteed; and
- The very high quality of indenture investments.

The stable outlook reflects S&P Global Ratings' opinion that the indenture will likely perform at the current rating level--specifically regarding the A/L parity ratio, asset quality, and risk profile--during the two-year outlook.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to TDHCA's legal and operational-risk frameworks and cash-flow assumptions; we view these risks as neutral in our credit rating analysis. The rating incorporates our view of social risks, specifically health-and-safety dangers posed by COVID-19 and the related economic events that affected all affordable-housing lenders during the past two years. However, we think offsetting these risks are the overcollateralization in TDHCA's RMRB indenture and strong credit quality of its resolution collateral.

Stable Outlook

Downside scenario

While we find it unlikely, we could lower the rating if the indenture's A/L parity ratio were to deteriorate to near or below 100%, where full and timely payment on the bonds becomes uncertain. In addition, a negative rating action on the U.S. government could result in a lower rating on the bonds.

Upside scenario

We could raise the rating if, through overcollateralization, the indenture's A/L parity ratio were to increase to levels capable of satisfying our stressed loss-coverage requirements for a 'AAA' rating. In addition, a positive rating action on the U.S. government could result in a positive rating action on the bonds.

Credit Opinion

The indenture

TDHCA created the RMRB trust indenture in 1987 as a whole-loan indenture. As of Jan. 1, 2022, the indenture was entirely MBS with $288.7 million of MBS assets. As of Jan. 1, 2022, the indenture's consolidated A/L parity ratio was strong with an opening parity ratio of 109.63% and a projected stressed low parity ratio of 103.59%.

Legal and operational-risk framework requirements

The transaction meets the legal framework set forth in our criteria "**Global Framework For Assessing Operational Risk In Structured Finance Transactions**," published Oct. 9, 2014, on RatingsDirect, which focuses on the underlying security and collateral, bankruptcy risk, eligible investments, flow of funds, additional bonds, redemptions, events of default, reserves, and trustee responsibilities. The transaction also meets eligibility conditions for key transaction participants (KTP), as set forth under our criteria for assessing operational risk. The maximum potential rating for the bonds is 'AAA' based on our view of moderate severity risk of the potential effect of a disruption in KTP services on the issuer's cash flows and low portability risk, or the likelihood KTP could be replaced, if needed.

Federal enhancement

All underlying mortgage collateral supporting the bonds outstanding in the resolution is in the form of MBS, all of which are 'AA+' eligible under our criteria, based on full credit enhancement through a guarantee from a U.S. federal agency, such as Ginnie Mae, and U.S. government-sponsored enterprise, such as Fannie Mae and Freddie Mac.

Cash-flow analysis

We have analyzed consolidated indenture cash flows, which assumed S&P Global Ratings' stressed reinvestment earnings commensurate with the rating on the bonds (0.05% for the 'AA' rating category) and include a variety of stress scenarios, including nonorigination, a $15 million withdrawal from the indenture, and several different prepayment speeds. Cash flows have a basis date of Jan. 1, 2022, excluding downpayment-assistance second-mortgage loans. In our view, cash flows demonstrate TDHCA's ability to pay full and timely debt service on the bonds through maturity or earlier redemption. The lowest A/L parity ratio, calculated in any consolidated cash-flow scenarios, is approximately 103.59% for consolidated cash flows, which is more than the 100.25% threshold, as set forth in our criteria "**U.S. Federally Enhanced Housing Bonds**," published Nov. 12, 2019; this is in-line with the low parity ratio calculation of 102.31% from earlier in March 2021.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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