



Rating Action: Moody's assigns Aaa to Texas Dept. of Housing and Community Affairs' Single Family Mortgage Revenue Bonds, 2022 Series B; outlook stable

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New York, November 03, 2022 – Moody's Investors Service, ("Moody's") has assigned a rating of Aaa to the proposed Texas Department of Housing and Community Affairs' ("TDHCA") approximately \$190 million Single Family Mortgage Revenue Bonds, 2022 Series B (Non-AMT). Moody's maintains existing Aaa ratings on all outstanding Single Family Mortgage Revenue Senior Lien Bonds and Aa1 ratings on all outstanding Single Family Mortgage Revenue Junior Lien Bonds. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the strong program portfolio which consists of 100% GNMA, Freddie Mac and FNMA mortgage-backed securities ("MBS") and a program asset-to-debt ratio (PADR) of 1.30x (1.06x excluding all second lien loans) as of August 31, 2021. The rating also reflects that variable rate bonds comprise 2.6% of program debt as of December 31, 2021 and that 100% of the liquidity on the variable rate bonds is provided by the Texas Comptroller of Public Accounts (State of Texas general obligation rating of Aaa with a stable outlook).

RATING OUTLOOK

The stable outlook is based on the solid financial position, strong mortgage portfolio, and variable rate debt position.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Replacement of the State Comptroller-provided liquidity with agreements containing terms that are too onerous to withstand Moody's cash flow tests.
- A severe decline in PADR or margins and/or weakness in our stress case cashflow projections.
- A significant increase in program variable rate debt.

LEGAL SECURITY

The Bonds are special obligations of TDHCA and are secured by GNMA, FNMA, and Freddie Mac MBS, mortgage loans, and all reserves and other assets under the indenture. Payment of senior lien debt is on parity with approximately \$761 million (as of December 31, 2021) in Single Family Mortgage Revenue Bonds. There is also \$30 million (as of December 31, 2021) of junior lien

Single Family Mortgage Revenue Bonds. The junior lien bonds are payable solely from surplus revenues of the indenture subordinate to the payment of senior lien bonds and departmental expenses.

USE OF PROCEEDS

Proceeds of the 2022 Series B bonds will be used to purchase GNMA MBS backed by pools of qualifying mortgages, to fund loans for down payment and closing cost assistance, and to pay a portion of the cost of issuance of the 2022 Series B Bonds.

PROFILE

The Single Family Mortgage Revenue Bond Program was established in 1980. This indenture was TDHCA's initial single family financing program. The proceeds of bonds issued under this indenture are used to finance affordable residential housing to low and moderate income persons in the State of Texas. All bonds under the indenture are secured equally by all of the mortgages.

METHODOLOGY

The principal methodology used in this rating was US Housing Finance Agency Single-Family Housing Methodology published in October 2019 and available at <https://ratings.moodys.com/api/rmc-documents/62560>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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