



Rating Action: Moody's assigns Aaa to Texas Dept. of Housing and Community Affairs' Single Family Mortgage Revenue Bonds, 2023 Series A & B; outlook stable

18 May 2023

New York, May 18, 2023 -- Moody's Investors Service, ("Moody's") has assigned a rating of Aaa to the proposed Texas Department of Housing and Community Affairs' ("TDHCA") approximately \$200 million Single Family Mortgage Revenue Bonds, 2023 Series A (Non-AMT) and approximately \$50 million Single Family Mortgage Revenue Bonds, 2023 Series B (Taxable). 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 high quality collateral consisting of 100% GNMA, FNMA and Freddie Mac mortgage-backed securities ("MBS") and the strong financial position of the program with a program asset-to-debt ratio (PADR) of 1.27x (1.05x excluding all second lien loans) as of August 31, 2022. The rating also incorporates cash flow projections that exhibit sufficient revenues to pay timely debt service, and good management oversight.

RATING OUTLOOK

Moody's outlook for the rating is stable. We expect the portfolio composition, the solid overcollateralization and the stable outlook of the US government to result in a stable program financial position.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Substantial erosion of the program's financial position, as reflected by a significant reduction in PADR and margins.
- Downgrade of the US government's rating.

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 \$1.03 billion (as of December 31, 2022) in Single Family Mortgage Revenue Bonds. There is also \$30 million (as of December 31, 2022) 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 2023 Series A & 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 2023 Series A & 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 mortgage loans for 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 these ratings was US Housing Finance Agency Single-Family Housing Methodology published in October 2019 and available at <https://ratings.moodys.com/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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