

RatingsDirect®

Summary:

Texas Department Of Housing & Community Affairs; Single Family Multiple MBS; Single Family Whole Loan

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Summary:

Texas Department Of Housing & Community Affairs; Single Family Multiple MBS; Single Family Whole Loan

Credit Profile		
US\$150.0 mil sin fam mtg rev bnds (non-amt) ser 2023C due 03/01/2054		
Long Term Rating	AA+/Stable	New
US\$100.0 mil sin fam mtg rev bnds (non-amt) ser 2023D due 09/01/2053		
Long Term Rating	AA+/Stable	New
Texas Dept of Hsg & Comnty Affairs sin fam mtg rev bnds (1980 Trust Indenture)		
Long Term Rating	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Texas Department of Housing & Community Affairs' (TDHCA) approximately \$250 million series 2023C-2023D single-family mortgage-revenue-bond-indenture bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' long-term rating and underlying rating (SPUR) on TDHCA's parity tier 1 debt and subordinate tier 2 debt, issued under the single-family mortgage-revenue-bond indenture.
- S&P Global Ratings also affirmed its 'AA+/A-1+' rating on TDHCA's variable-rate bonds. The short-term rating reflects liquidity support provided by Texas Treasury Safekeeping Trust Co.
- The outlook, where applicable, is stable.

Security

Bonds issued under the single-family mortgage-revenue-bond indenture are limited obligations of TDHCA, payable solely from revenue, assets, and money pledged under the master indenture.

According to preliminary transaction documents, TDHCA is issuing the bonds to purchase Ginnie Mae mortgage-backed pass-through certificates to fund loans for downpayment and closing-cost assistance and issuance costs.

The bonds are subject to optional, special, and mandatory sinking-fund redemptions at various times prior to their scheduled maturities at various redemption prices, as described in preliminary transaction documents. Preliminary cash flows conservatively assume cash withdrawals from the indenture of \$6 million in January 2024 and another \$6 million in September 2024.

Credit overview

The ratings reflect our view of the program's:

- Legal framework that links duties of key-transaction parties with the program's proper execution in alignment with

our criteria, coupled with no bankruptcy or other legal risks identified;

- Program management and operational-risk assessment, which we consider neutral;
- Overcollateralization and cash flows capable of withstanding our projected loss assumptions based on the asset pool's credit quality, in all provided cash-flow stress scenarios, with a minimum projected asset-to-liability parity ratio of 102.6% when including subordinate-lien debt;
- Sufficient liquidity to cover short-term disruptions in asset cash flows; and
- Market position characteristics in-line with the national housing market.

Environmental, social, and governance

Due to Texas' large geographic footprint and location along the U.S. Gulf Coast, we consider the state to have higher exposure to acute physical risk within our credit-rating analysis—including severe-weather events, intermittent flooding, and extreme heat--and exposure to chronic physical risk, including sea-level rise and drought. We think these factors are partially due to TDHCA's low-risk asset base and debt portfolio and adherence to mortgage-backed-securities loan-origination requirements.

We note the state's demographic trends generally contribute to lower social capital risk due to population growth during the past decade exceeding the national level, which we view favorably because it can provide for greater economic development potential, and housing demand relative to its peers. We view governance risk for TDHCA as neutral.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of the credit quality of the underlying mortgage-backed securities assets, supported by Ginnie Mae and Fannie Mae, and S&P Global Ratings' assessment of program management and operational risk. In addition, we expect our market-position-modifier assessment to remain neutral during the two-year outlook.

Downside scenario

We could lower the rating or revise the outlook to negative if our assessment of program management and operational risk were to change due to negative assessments or if the credit quality of the underlying assets were to decrease.

Upside scenario

We could raise the rating or revise the outlook to positive if TDHCA's credit quality and our cash-flow analysis were to meet our stress scenarios for ratings above the sovereign.

Texas Department Of Housing & Community Affairs--mortgage revenue bonds program rating summary		
Legal framework	No cap	
Program management and operational risk	No cap	
Factors assessed as negative		0
Overcollateralization	aaa	
Cash flow analysis	aa+	
Hedging risk	aa+	

Texas Department Of Housing & Community Affairs--mortgage revenue bonds program rating summary (cont.)	
Housing finance agency general obligation pledge	N/A
Anchor	
Anchor rating	aa+
Modifiers and holistic analysis	
Liquidity reserves	No modifier
Market position	No modifier
Holistic analysis	No modifier
Standalone credit profile (SACP)	
SACP	aa+
Other applicable criteria	No cap
Final	
Final rating	AA+
N/A--Not applicable.	

Related Research

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

Ratings Detail (As Of November 16, 2023)		
Texas Department of Housing & Community Affairs sin fam mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Department of Housing & Community Affairs sin fam mtg rev bnds ser 2023B		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs jr lien single fam rev & rfdg bnds (taxable) ser 2020 due 09/01/2045		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev bnds ser 2017A (non-AMT) dtd 06/22/2017 due 09/01/2047		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev bnds ser 2017B taxable dtd 06/22/2017 due 09/01/2037		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single fam mtg rev bnds ser 2017C taxable dtd 06/22/2017 due 09/01/2047		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single-fam mtg rev rfdg bnds ser 2015 A		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs single-fam mtg rev bnds ser 2015 B		
Long Term Rating	AA+/Stable	Affirmed

Ratings Detail (As Of November 16, 2023) (cont.)		
Texas Dept of Hsg & Comnty Affairs sin fam mtg		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs sin fam mtg rev bnds ser 2022B due 03/01/2053		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs SFMULTMBS		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs SFMULTMBS (AGM)		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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